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### Acronyms

The following acronyms will be used throughout this Annual Audit Plan.

FY Fiscal Year

**OIG** Office of the Inspector General

**SSA** Social Security Administration

**SSN** Social Security Number

### **Executive Overview**

### Office of the Inspector General Mission

We improve SSA's programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

### The Office of Audit

We conduct comprehensive audits and evaluations of SSA's programs and operations. Our audits determine whether the objectives of SSA's programs are being achieved and identify which programs or activities need to be performed more efficiently. In FY 2001, we issued 80 reports with over \$26 million in Federal funds to be put to better use and over \$135 million in questioned costs.

### **Annual Audit Plan**

This Audit Plan outlines our perspective on the top 10 management challenges facing SSA. Each year since 1997, we have presented the Congress and SSA officials a list of what we consider to be the most serious management and performance challenges facing SSA. We structure our Annual Audit Plan around these serious management challenges.

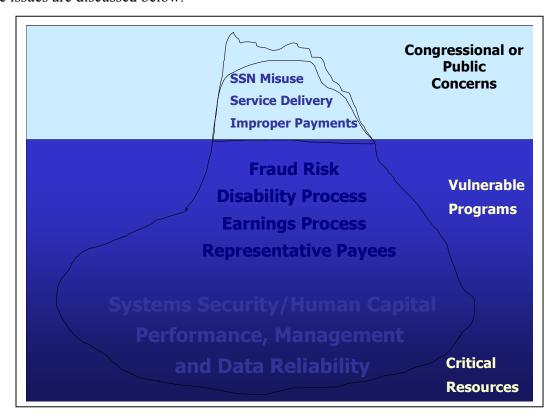
SSA faces a myriad of vulnerabilities related to how it plans, implements and monitors its programs. As a result, our Top 10 issues can be separated into three key areas.

*Critical Resources*—Systems Security; Human Capital; and Performance, Management and Data Reliability.

*Vulnerable Programs*—Fraud Risk, Management of the Disability Process, Integrity of the Earnings Reporting Process, and Integrity of the Representative Payee Process.

*Congressional or Public Concerns*—Improper Payments, Service Delivery, and SSN Misuse and Privacy Concerns (Identity Theft).

These issues are discussed below.



While the public often sees only the tip of the iceberg, a number of additional issues need to be considered. For example, lack of good human capital planning at the front of the process can lead to delayed continuing disability reviews on individuals whose condition has improved and lead to improper payments. Another example would relate to poor systems security planning, which would permit individuals to exploit vulnerabilities in the enumeration process to fraudulently obtain SSNs and sell them to individuals who then misuse them. Taken together, these areas cover SSA's program vulnerabilities and provide a framework for OIG to assist SSA as it works to improve its operations. By addressing the issues we identify in our reviews, SSA is able to offer world-class service while avoiding known vulnerabilities.

This Audit Plan describes 85 reviews we plan to complete in FY 2002 and 51 reviews we plan to begin in FY 2002. In determining which issues to identify as the most significant for the Agency, we crosswalked the Presidential Management Initiative and General Accounting Office high-risk areas to our critical management challenges. The following table demonstrates that our view of the major management challenges facing SSA is in accord with both the Presidential and the General Accounting Office perspective.

### Crosswalk of Presidential Management Initiative to OIG Management Challenges and General Accounting Office High-Risk Areas

Presidential Management Initiative	Office of the Inspector General	General Accounting Office High-Risk Areas	
Disability Process Redesign	Management of the Disability	Disability Determination Process	
Update Disability Medical     Listings	Process		
Implementation of the Ticket to Work Program			
1. Competitive Sourcing	1. Service Delivery	1. Service Delivery	
Strategic Management of Human Capital	2. Human Capital	2. Human Capital	
Expanding Electronic Government	Systems Security and Controls	Information Systems Weaknesses	
1. Improve Financial Performance	Improper Payments	Solvency	
Budget and Performance     Integration	2. Performance, Management and Data Reliability		
- Disability Claims Processing Costs			
- Retirement Claims Processing Costs			
- Disability Claims Processing Times			
	1. Fraud Risk	Supplemental Security Income	
	Social Security Number     Misuse and Identity Theft	Program Vulnerabilities	
	3. Representative Payees		
	Earnings Process		
		Research, Evaluation and Policy Development	

In preparing this Plan, we also solicited suggestions from SSA's Evaluation Workgroup, which is comprised of a representative from each of SSA's components and is tasked with ensuring each component's evaluation plan appropriately addresses all areas vulnerable to fraud and abuse or would assist SSA in achieving its key service delivery goals. We received a number of suggestions for inclusion in our Plan, and we have incorporated as many of them as possible.

We recognize this Plan is dynamic, so we encourage continuous feedback and additional suggestions. This flexibility enables us to meet emerging and critical issues evolving throughout the upcoming year.

For more information on this Plan, please contact the Office of Audit at (410) 965-9700.

### Fraud Risk

Our focus on fraud risk is based on program eligibility factors that individuals misrepresent to attain or maintain eligibility.

Fraud is an inherent risk in all of SSA's core business processes: enumeration, earnings, claims, and post-entitlement. All of these processes include vulnerabilities that provide individuals the opportunity to defraud third parties, SSA, and/or SSA's beneficiaries and recipients. Our focus on fraud risk is based on program eligibility factors that individuals misrepresent to attain or maintain eligibility.

Examples of the eligibility factors under the Old-Age, Survivors and Disability Insurance (OASDI) program include family relationships and, for surviving spouses under age 60, children in-care. Because the Supplemental Security Income (SSI) program is means-based, it includes eligibility factors that tend to be more difficult for SSA to verify and monitor. These include income, resources, living arrangements, U.S. residency, and deemed income. SSA's difficulties in monitoring eligibility factors for SSI recipients is a key reason the SSI program has been on the General Accounting Office's list of "high-risk" Federal programs since 1997. Other key risk factors common to both programs are the detection of beneficiary deaths and the monitoring of medical improvements for disabled beneficiaries.

SSA has taken an active role in addressing the integrity of the OASDI and SSI programs through its "zero tolerance for fraud" initiative. Key projects under this initiative include Prisoners, Fugitive Felons, and Electronic Death Registration.

Our prior audits have identified inadequacies in SSA's detection of prisoners who improperly received Social Security benefits. As a result of the expansion of data agreements with correctional facilities, SSA's Actuary estimated total 7-year savings through 2001 to be \$3.5 billion. Our audits have also disclosed the need for SSA to improve its capability to avoid improper payments to fugitive felons. One audit disclosed that, without effective matching of State fugitive files, SSA will pay fugitives at least \$30 million in SSI payments per year. Another audit recommended and SSA agreed to propose legislation to prohibit the payment of OASDI benefits to fugitives. Our investigative efforts to administer the Fugitive Felon Program from August 1, 1996 through June 30, 2001 have identified 37,500 fugitives who were overpaid over \$64 million. Of the 37,500 fugitives, 4,007 were arrested, and we estimate about \$116 million in savings to the SSI program.

Another significant fraud risk is the detection of unreported beneficiary and recipient deaths. SSA relies on its Death Alert, Control, and Update System (DACUS) to identify unreported deaths from Federal and State data bases through computer matches. One audit disclosed that about 881 auxiliary beneficiaries were paid about \$31 million after their deaths because DACUS did not properly match their records. Another audit found inadequate controls over DACUS and identified 26 individuals who appeared to have fraudulently negotiated \$429,779 in benefits paid to deceased beneficiaries.



SSA has taken steps to assist in combating fraud by offering its employees work credits for fraud referrals. While we applaud this action, we believe SSA needs to go further. For example, to fulfill its role as a steward of public dollars, it is imperative that SSA define the universe or magnitude of fraud as do the insurance, retail, and banking industries, which have baselines to estimate potential dollars lost to fraud.

In FY 2002, we plan to complete seven reviews in this issue area.

### We plan to complete the following reviews in FY 2002

Detecting Unreported Marriages	1-1
Follow-up Audit of the Use of Official Time for Union Activities at the Social Security Administration	1-2
Internal Control Review of the Office of Earnings Operations Processing of Remittances and Handling of Mail	1-3
Multiple Unrelated Payments to the Same Bank Account	1-4
Remittance Process at Social Security Administration Field Offices	1-5
The Social Security Administration's Controls to Prevent Supplemental Security Income Payments to Recipients Living in Foreign Countries	1-6
Use of State Bureaus of Vital Statistics to Detect Unreported Marriages and Divorces	1-7

### **DETECTING UNREPORTED MARRIAGES**

### **Planned Start**

Carry Over

### **Objective**

To determine whether Supplemental Security Income (SSI) recipients are failing to report marriages to avoid having their payments reduced.

### **Background**

The Calendar Year 2001 monthly Federal benefit rate for an unmarried individual is \$531. A married couple living together receives \$796 a month. Even marriage to a non-SSI recipient may result in a reduction in the SSI recipient's monthly payment because the spouse's income and resources are deemed to the SSI recipient. Generally, SSA relies on beneficiaries to voluntarily report a marriage. However, this marriage penalty discourages spouses from reporting their marriage to SSA. Therefore, both spouses who are eligible for SSI payments could report that they are separated and each receive \$531 a month. For example, SSA recently disclosed that a woman concealed her marriage to receive \$21,083 in SSI payments to which she was not entitled.

## FOLLOW-UP AUDIT OF THE USE OF OFFICIAL TIME FOR UNION ACTIVITIES AT THE SOCIAL SECURITY ADMINISTRATION

#### **Planned Start**

Carry Over

### **Objective**

To assess corrective actions SSA has taken to address recommendations in our July 1998 report, *The Use of Official Time for Union Activities at the Social Security Administration* (A-13-97-72013), related to recording, reporting, and management oversight of official time.

### **Background**

Our July 1998 report found internal control weaknesses in SSA management's oversight of the use of official time. Specifically, management's processing and reporting of official time controls were not adequate to reasonably ensure data reliability. The report outlined 10 recommendations to correct these deficiencies.

In March 2000, we responded to a congressional inquiry requesting an update of SSA's actions to implement the report's recommendations. We based our response on information SSA provided us. Since we did not verify SSA's information when we developed our response, we informed Congress we would be doing so in a future audit.

# INTERNAL CONTROL REVIEW OF THE OFFICE OF EARNINGS OPERATIONS PROCESSING OF REMITTANCES AND HANDLING OF MAIL

### **Planned Start**

Carry Over

### **Objective**

To assess the adequacy of internal controls over the remittance and mail process, including the proper handling of sensitive Social Security information.

### **Background**

The Office of Earnings Operations (OEO) maintains records of workers' earnings, furnishes earning statements and resolves individual and employer earnings problems. Our review of OEO will include its Division of Earnings Records Operations, which is responsible for verifying earnings data and properly adjudicating claims.

OEO receives mail from several post office boxes each day. The type of mail received varies from monetary remittances to undeliverable SSN cards. OEO receives payments for services it provides to the public. For example, OEO receives payments for Freedom of Information Act requests and letter forwarding.

### MULTIPLE UNRELATED PAYMENTS TO THE SAME BANK ACCOUNT

### **Planned Start**

Carry Over

### **Objective**

To develop a methodology that can be used to detect fraudulent payments in the title II program by looking for multiple, unrelated payments to the same bank account.

### **Background**

On August 17, 1988, we issued a report, *Identifying Unauthorized Multiple Payments to the Same Person at the Same Address* (A-04-87-03001). This report identified ways to improve SSA's Master File Duplicate Detection Operation (MAFDUP) to identify multiple payments to the same mailing address. MAFDUP serves as a control to help prevent fraud in SSA's programs.

SSA's business operations have changed so that most title II payments are made by direct deposit to financial institutions instead of mailed as a paper check to an address. Since MAFDUP uses mailing addresses, its effectiveness is reduced as more benefit payments are made using electronic transfers.

## REMITTANCE PROCESS AT SOCIAL SECURITY ADMINISTRATION FIELD OFFICES

#### **Planned Start**

Carry Over

### **Objective**

To determine the adequacy of the internal controls over the remittance and disbursement of cash or cash equivalents at field offices.

### Background

SSA has over 1,300 field offices nationwide. These field offices are the primary points of contact for the public. Field office employees handle transactions pertaining to title II and title XVI benefits, receive cash and checks for a variety of reasons, take requests for earnings statement information, and disburse cash for either an immediate payment or a critical payment.

# THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS TO PREVENT SUPPLEMENTAL SECURITY INCOME PAYMENTS TO RECIPIENTS LIVING IN FOREIGN COUNTRIES

### **Planned Start**

Carry Over

### **Objective**

To determine whether SSA controls for preventing Supplemental Security Income payments to recipients living in foreign countries are effective.

### **Background**

Section 1611(f) of the Social Security Act states that no individual shall be considered eligible for Supplemental Security Income for any month during which the individual is outside the United States. Additionally, the Social Security Act states that "after an individual has been outside the U.S. for any period of 30 consecutive days, he shall be treated as remaining outside the U.S. until he has been in the U.S. for a period of 30 consecutive days." The only exemptions to U.S. residency for receiving Supplemental Security Income are for students studying abroad and blind or disabled children of military families stationed overseas.

### USE OF STATE BUREAUS OF VITAL STATISTICS TO DETECT UNREPORTED MARRIAGES AND DIVORCES

#### **Planned Start**

Carry Over

### **Objective**

To determine the usefulness of State Bureau of Vital Statistics records to identify beneficiaries who did not report their marriages and divorces.

### **Background**

SSA generally relies on beneficiaries to voluntarily report any changes in their marital status. These changes may affect their continuing entitlement to Old-Age, Survivors and Disability Insurance benefits. For example, a remarriage may affect the benefits payable to surviving spouses of deceased workers and children of retired, deceased, or disabled workers. A divorce may affect the benefits payable to spouses of retired or disabled workers.

Our prior audit work disclosed that computer matches with State Bureau of Vital Statistics records might be useful in identifying beneficiaries who had not reported their marriages or divorces. Accordingly, SSA requested that we conduct a special project to determine the effectiveness and feasibility of these computer matches. As part of this special project, SSA has purchased marriage and divorce records from the States of Kansas, Oregon, Vermont, and Georgia. We are working with SSA's Offices of Program Benefits and the Chief Actuary to complete the project.

We conducted a computer match and identified 434 individuals in the State of Kansas who may have received overpayments from January 1990 through December 1997 based on unreported marriages. As of August 2000, 48 of these individuals were in current pay status. We also identified 146 individuals in the State of Kansas who may have received overpayments from January 1990 through December 1997 based on unreported divorces. As of August 2000, 21 of these individuals were in current pay status. Some of these overpayments went undetected for up to 120 months after the date of the marriage or divorce.

### Improper Payments

Determining and paying accurate and timely program benefits is a primary commitment of SSA, along with good stewardship of the Social Security trust fund and the General Revenue fund.

SSA is responsible for issuing benefit payments under the Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income programs (SSI). In FY 2000, SSA issued \$432 billion in benefit payments to 51.9 million beneficiaries. Even the slightest error in the overall process can result in millions of dollars in overpayments.

The General Accounting Office recently reported that improper payments are a widespread and significant problem in the Government and will continue to be of concern in the future. Improper payments are defined as payments that should not have been made or that were made for incorrect amounts. Examples of improper payments include inadvertent errors, payments for unsupported or inadequately supported claims, payments for services not rendered, or payments to ineligible beneficiaries.

The risk of improper payments increases in programs with (1) a significant volume of transactions, (2) complex criteria for computing payments, and/or (3) an overemphasis on expediting payments. Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to 50 million individuals, SSA is at-risk of making significant improper payments.

As shown in the table below, during FY 1999, SSA issued about \$411 billion in benefit payments to OASI and DI beneficiaries and SSI recipients. SSA reports a payment accuracy rate for its OASI and SSI programs and reports the overpayments identified each year. For FY 1999, SSA reported that 99.8 percent of OASI payments and 94.3 percent of SSI payments were made without over-payments. SSA did not report an accuracy rate for its DI program. Using these accuracy rates, during FY 1999, SSA would have expected to have made about \$664.8 million in OASI over-payments, about \$1.6 billion in SSI overpayments, and an unknown amount in DI overpayments. However, SSA's reported overpayments totaled about \$4 billion for its three benefit programs in FYs 1999 and 2000. Also, from FY 1996 through 2000, overpayments increased by 137 percent.

The OASI program is the least complex program SSA administers; however, the amount of OASI overpayments detected and reported in FY 1999 is over 200 percent higher than the amount expected based on SSA's 99.8-percent payment accuracy rate. Since the DI and SSI programs are much more complex than the OASI program—and rely heavily on beneficiary self-reporting of events affecting program eligibility—we would expect SSA's overpayment rate for the SSI program to be at least as high as in the OASI program. To estimate the unknown portion of overpayments in the DI and SSI programs, we applied the 200-percent difference found in the OASI program to the SSI and DI overpayments. Based on this analysis, we estimate SSA made overpayments in FY 1999 of at least \$6.7 billion for its three programs. This amount is significantly higher than the \$4 billion SSA reported as

amount is significantly higher than the \$4 billion SSA reported as overpaid to OASI, DI, and SSI beneficiaries in FY 1999.

Program	FY 1999 Expenditures (in billions)	FY 1999 Payment Accuracy Rate (percent)	FY 1999 Actual Overpayments	FY 2000 Actual Overpayments
OASI	\$332.4	99.8	\$1.44	\$1.47
DI	50.4	Not Reported	.82	.96
SSI	28.1	94.3	1.81	1.48
Total	\$ 410.9		\$4.07	\$3.91

SSA bases its payment accuracy rate on a detailed analysis of a sample of cases. One reason actual overpayments are higher than expected is that, after the accuracy rate is determined, SSA learns of beneficiary circumstances that affected program eligibility that it did not know during the case accuracy review. For example, SSA has had difficulty in accurately calculating the amount of DI benefits that should be offset when a beneficiary also receives workers' compensation payments.

SSA has made significant improper payments to DI beneficiaries who also receive State workers' compensation payments. In general, the Social Security Act requires SSA benefits to be offset for beneficiaries who receive State-administered benefits. This reduction in benefits prevents a disabled worker from receiving more in disability payments than he or she earned before becoming disabled. Because SSA does not have direct access to State workers' compensation data bases, it primarily relies on beneficiaries to voluntarily report changes in workers' compensation benefits. In a September 1998 report, we identified potential total dollar errors of \$385.1 million in overpayments and \$141.6 million in underpayments due to various computation errors in benefits involving workers' compensation. In November 1999, we reported that unreported receipt of, changes in, or termination of workers' compensation benefits also resulted in substantial payment inaccuracies totaling \$214.4 million in overpayments and \$111.4 million in underpayments. In response to our reports, SSA performed its own studies and estimated that the total past and future error for two subsets of the population involving workers' compensation payments could reach \$1.3 billion in underpayments and overpayments.

In FY 2002, we plan to complete 10 reviews and begin 17 reviews in this area.

### We plan to complete the following reviews in FY 2002

Controls over the Social Security Administration's Processing of Death Records from the	
Department of Veterans Affairs	2-1
Effectiveness of the Social Security Administration's Death Termination Process	2-2
The Social Security Administration's Management of Its Federal Employees' Compensation Act Program	2-3
Impact on Social Security Administration Programs when Auxiliary Beneficiaries Do Not Have Their Own Social Security Number	2-4
Individuals Receiving Supplemental Security Income and Title IV-E Payments in California	2-5
Interim Assistance Reimbursement Payments to Supplemental Security Income Recipients	2-6
Internal Controls over the Supplemental Security Income Immediate Payment Process	2-7
Old-Age, Survivors and Disability Insurance and Supplemental Security Income Payments to Deceased Beneficiaries	2-8
The Social Security Administration's Transfer Between Trust Funds for Medicare Premiums after a Beneficiary's Death	2-9
Title II Disability Insurance Benefits with Workers' Compensation Underpayment Errors Exceeding \$70,000	2-10
We plan to begin the following reviews in FY 2002	

Follow-up on Prior Office of the Inspector General Prisoner Audit

Identification and Suspension of Benefits to Deportable Aliens

Internal Control Review of the Remittance Process at SSA's Mid-Atlantic Program Service Center

Non-Receipt of Supplemental Security Income Monthly Benefit Checks

Existence of State Workers' Compensation Payments Not Considered by SSA when Calculating Disability Insurance Benefits

How Timely do Social Security Beneficiaries Living Overseas Report Events that Affect Their Benefit Payment?

Overpayments to Supplemental Security Income Recipients Receiving Title IV-E Payments

Recovery of Supplemental Security Income Overpayments from Lump Sum Benefit Payments

Review of SSA's Workers' Compensation Data Match with the State of Texas

SSA's On-line Access to the Office of Child Support Enforcement Data Bases

SSA's Determination of a High ACE for Disability Insurance Benefits Involving Workers' Compensation

SSA's Processes for Discontinuing Benefit Payments and Waiving Overpayments Following Disability Cessation

SSA's Title II Benefit Reduction for State and Local Government Pension Payments

Supplemental Security Income Recipients Who Exceed Resource Limit but Continue to Receive Supplemental Security Income

Suspense Files for the SSA Computer Match with the Office of Child Support Enforcement

Title II Disability Insurance Beneficiaries that Reported Pending Workers' Compensation Decisions

Wage Alerts Related to Title II Retired Beneficiaries

# CONTROLS OVER THE SOCIAL SECURITY ADMINISTRATION'S PROCESSING OF DEATH RECORDS FROM THE DEPARTMENT OF VETERANS AFFAIRS

### **Planned Start**

Carry Over

### **Objective**

To determine the effect of not using the Department of Veterans Affairs' (VA) death information to terminate Old-Age, Survivors and Disability Insurance and Supplemental Security Income payments to deceased beneficiaries/recipients.

### **Background**

We initiated this audit based on a letter from Senator Susan M. Collins regarding a concern one of her constituents had pertaining to death matching operations between SSA and VA. Specifically, the constituent's relative notified VA of a death within 3 weeks of the individual's death so VA could stop paying the individual benefits. However, SSA was not notified of this death until 1 year later when the same relative reported to SSA that Social Security payments should have stopped because the beneficiary was deceased.

Based on feedback from SSA staff, we have learned that, although VA has provided SSA death information for over 2 years, SSA has not processed the information because VA had (1) changed an input file name and had not communicated the change to SSA and (2) not been using the file format needed to process the records. As a result, SSA has not used VA death information to terminate payments to deceased Old-Age, Survivors and Disability Insurance beneficiaries and/or Supplemental Security Income recipients.

SSA has provided us VA's most recent quarterly death file, which VA provided SSA in January 2001. Analyzing this quarterly file, which contained 74,298 records, we identified a population of 630 title II and/or title XVI beneficiaries receiving benefits but whose death was reported to the VA.

## EFFECTIVENESS OF THE SOCIAL SECURITY ADMINISTRATION'S DEATH TERMINATION PROCESS

#### **Planned Start**

1<sup>st</sup> Quarter FY 2002

### **Objective**

To evaluate the (1) effectiveness of SSA's controls and procedures for resolving death alerts and recovering improper payments from deceased beneficiaries and (2) timeliness of death reporting by State agencies.

### **Background**

SSA receives death reports from a variety of sources, including friends and relatives of deceased individuals, funeral homes, postal authorities, financial institutions, and Federal and State agencies. Friends, relatives, and funeral homes report about 90 percent of deaths. Postal authorities and financial institutions report another 5 percent of deaths. SSA relies on computer matches with Federal and State agencies to detect the remaining 5 percent of deaths.

To identify erroneous payments to deceased individuals, SSA's Death Alert, Control, and Update System (DACUS) performs computer matches with death data received from external and internal sources. External sources include Federal agencies, such as the Department of Veterans Affairs, and State agencies, such as Bureaus of Vital Statistics. Internal sources include SSA's Master Beneficiary and Supplemental Security Records and the Numident file.

DACUS receives the death reports and compares the date of death to SSA's payment records. If payments are made after death or there is conflicting information about the date of death, DACUS generates an alert. DACUS also generates a follow-up alert every 30 days until the initial alert has been resolved. In addition, DACUS produces a monthly report of death alerts over 120 days old for regional offices to ensure that all death alerts are processed.

Recent investigations have identified numerous instances where individuals fraudulently negotiated Social Security benefits after a beneficiary's death. Prior audits have focused on aged death alerts (that is, unresolved death alerts over 120 days old). This review will focus on SSA's processing of initial death alerts, including the recovery of improper payments from deceased beneficiaries.

## THE SOCIAL SECURITY ADMINISTRATION'S MANAGEMENT OF ITS FEDERAL EMPLOYEES' COMPENSATION ACT PROGRAM

### **Planned Start**

Carry Over

### **Objective**

The objective is to assess SSA's management of its Federal Employees' Compensation Act (FECA) program.

### **Background**

FECA is administered by the Department of Labor (DoL) and authorizes the payment of medical expenses and compensation for wages to all Federal employees disabled by job-related injuries or illness. DoL is responsible for providing overall guidance for FECA policy, including decisions to award benefits and case management. As part of case management, DoL reviews medical information, pays claims, and monitors employee medical status. DoL coordinates with the employee's agency to determine whether the employee can return to work. DoL accumulates payment information on medical and compensation claims for each case and submits charge back billing reports to each agency for reimbursement. SSA assists employees in filing claims, facilitates the processing of claims in coordination with DoL, and monitors the employee's medical status to return the employee to work as soon as possible. SSA and DoL's Office of Workers' Compensation Payments independently maintain FECA case files, process information, and follow up on third-party determinations.

# IMPACT ON SOCIAL SECURITY ADMINISTRATION PROGRAMS WHEN AUXILIARY BENEFICIARIES DO NOT HAVE THEIR OWN SOCIAL SECURITY NUMBER

### **Planned Start**

1st Ouarter FY 2002

### **Objective**

To determine the impact missing SSNs on title II auxiliary records have on SSA programs.

### **Background**

Auxiliary beneficiaries are children, widows, spouses, and parents who receive title II benefits based on another wage earner's Social Security record. Auxiliary beneficiaries must have their own SSN (referred to as a BOAN) to receive payment.

The BOAN missing alert process generates alerts to field offices when it detects an auxiliary beneficiary who was first entitled in June 1989 or later and whose record does not contain a BOAN. Our March 1998 report, *Payment of Benefits to Individuals Who Do Not Have Their Own Social Security Number*, stated several field office managers explained that resolving BOAN alerts was not a priority among their duties. The Department of Health and Human Services' OIG's January 1987 *Review of Payments to Auxiliary Beneficiaries Without Their Own Social Security Number* stated if beneficiaries were required to provide evidence of a BOAN as a condition of payment, prior claims/overpayments recovery, annual earnings/enforcement, State death data, duplicate payment detection, and taxation of benefits could be improved.

We identified 71,238 title II auxiliary beneficiary records that did not have a BOAN. We ran the names, dates of birth, and sexes for these beneficiaries through SSA's Enumeration Verification System and found a BOAN, which we then verified against the Death Master File. This found 4,150 beneficiaries, who we ran against the Master Beneficiary Record and found that 251 were in current pay status despite the date of death. Since SSA's death matching operation is based on a BOAN, SSA may not identify these beneficiaries as being deceased and stop their benefits.

SSA has resolved a portion of the missing BOANs by requiring a BOAN for all auxiliaries who became entitled to benefits after June 1989. However, our work has shown that records established after June 1989 are still missing a BOAN, and there remains a need for BOANs to be added to records established before June 1989.

## INDIVIDUALS RECEIVING SUPPLEMENTAL SECURITY INCOME AND TITLE IV-E PAYMENTS IN CALIFORNIA

#### **Planned Start**

1st Quarter FY 2002

### **Objective**

To identify Supplemental Security Income (SSI) recipients in the State of California who received overpayments because of unreported title IV-E payments.

### **Background**

The Foster Care and Adoption Assistance program, authorized under title IV-E of the Social Security Act, helps States provide care for children who need placement outside their homes in a foster family or an institution. This program provides Federal matching funds to States that administer the program. Federal regulations prohibit the receipt of both SSI and title IV-E payments. If the source of payments for the care is federally funded income based on need (for example, foster care under title IV-E), the total payment is considered cash income to the individual, and the SSI payment is subject to a dollar-for-dollar reduction.

SSA has access to the Medi-Cal Eligibility Data System in the State of California, which contains information on individuals who receive Medi-Cal benefits, including title IV-E payments. Prior audit work disclosed that SSI recipients did not always report their title IV-E payments. As a result, these individuals received benefits to which they were not entitled.

## INTERIM ASSISTANCE REIMBURSEMENT PAYMENTS TO SUPPLEMENTAL SECURITY INCOME RECIPIENTS

### **Planned Start**

1<sup>st</sup> Quarter FY 2002

### **Objective**

To determine whether the State agency (1) deducts the correct amount from retroactive Supplemental Security Income (SSI) payments and provides the balance to the recipient timely and (2) returns to SSA excess Interim Assistance Reimbursement amounts that could not be remitted to recipients.

### **Background**

Under the SSI program, aged, blind or disabled individuals with income and resources below established limits qualify for payments upon filing an application with SSA. Payments start when SSA establishes eligibility, which, in some cases, may take an extended period of time. Because many SSI applicants need financial aid before SSA can establish eligibility, States may elect to provide interim financial assistance to SSI applicants. For these cases, SSA enters into an agreement with the State whereby the State provides the individual interim assistance from State funds. SSA reimburses payments from State funds when the individual is determined to be eligible for SSI. If the individual is found to be ineligible, SSA is not liable for the interim assistance the State provided. This coordinated Federal/State program is called the Interim Assistance Reimbursement program. SSA does not participate in the cost to administer the Interim Assistance Reimbursement program. In FY 1995, SSA made \$353 million in SSI payments to 39 States on behalf of 96,000 recipients.

## INTERNAL CONTROLS OVER THE SUPPLEMENTAL SECURITY INCOME IMMEDIATE PAYMENT PROCESS

#### **Planned Start**

Carry Over

### **Objective**

To (1) evaluate the adequacy of SSA internal controls over Supplemental Security Income immediate payments, (2) determine whether immediate payments are recorded on the Supplemental Security Record (SSR), and (3) determine whether multiple and high-dollar immediate payments are appropriate.

### **Background**

Supplemental Security Income recipients who claim non-receipt of their monthly payment check can have the check replaced by visiting their local field office. Since recipients are often unwilling to wait 7 to 10 days for the Department of the Treasury to process a replacement check, field offices will issue an immediate payment.

There are certain conditions that must be met before a field office will issue an immediate payment. For example, the recipient must be eligible for Supplemental Security Income payments, not have received another immediate payment within the past 30 days, and display a dire need.

If the conditions are met and field office management approves an immediate payment, an authorized employee (service representative/claims representative or above) will prepare a Supplemental Security Income Payment Authorization Voucher. The cashier will review the Voucher and supporting documentation and issue the recipient a check from the Third Party Payment System. The authorized employee records the immediate payment on the Supplemental Security Record after the recipient receives the check, and the cashier maintains a copy of the updated Record.

# OLD-AGE, SURVIVORS AND DISABILITY INSURANCE AND SUPPLEMENTAL SECURITY INCOME PAYMENTS TO DECEASED BENEFICIARIES

#### **Planned Start**

Carry Over

### **Objective**

To determine whether death data discrepancies between the Numident file and the Master Beneficiary/Supplemental Security Records, as identified in data integrity testing conducted by PricewaterhouseCoopers (PwC), resulted in erroneous payments after death.

### **Background**

Section 205(r) of the Social Security Act requires that SSA match States' death records against SSA payment records to identify and prevent erroneous payments after death. In addition, SSA matches death records from other Federal, State, and local public assistance agencies. SSA uses the Death Alert, Control, and Update System to receive death data from external and internal sources, process that information against SSA's records, and post the date of death to its Numident file.

As part of its Performance Measure Review of SSA's performance data, PwC has run integrity matches on death data. From 1997 through 2000, PwC compared the Master Beneficiary Record, Supplemental Security Record, and Numident-identified records where individuals were alive and in current pay status on the Master Beneficiary and/or Supplemental Security Records but listed as dead in the Numident file.

In the Management Letter, PwC recommended that SSA investigate and correct instances of invalid data on individual records that may affect payment status. Also, PwC recommended that SSA refer any suspicious transactions to the OIG for investigation.

# THE SOCIAL SECURITY ADMINISTRATION'S TRANSFERS BETWEEN TRUST FUNDS FOR MEDICARE PREMIUMS AFTER A BENEFICIARY'S DEATH

### **Planned Start**

Carry Over

### **Objective**

To determine whether SSA is ensuring that title II trust funds are properly credited for Medicare premiums after a beneficiary's death.

### **Background**

Individuals insured for Social Security Retirement or Disability benefits (after 24 months) are eligible for Medicare Insurance. Title II benefits are paid in arrears, while Medicare premiums are deducted from beneficiaries' checks 1 month in advance.

Beneficiaries are not entitled to payment for the month of death, but, since the Medicare premiums are paid in advance, the person's medical bills incurred in the month of his/her death are covered. When an individual dies and benefits are not terminated timely, SSA attempts to recoup payments from individuals, but Medicare premiums are a separate issue. The Medicare premiums are automatically forwarded to the Health Care Financing Administration. Since Medicare services are not accessed after death, these premiums should be returned to the SSA trust fund from which they were paid.

SSA is allegedly not taking any steps to ensure the Health Care Financing Administration refunds Medicare premiums related to SSA payments after death. If, in fact, SSA is not properly recouping Medicare premiums for payments made after death, there could potentially be millions of dollars in losses to the SSA trust funds.

# TITLE II DISABILITY INSURANCE BENEFITS WITH WORKERS' COMPENSATION UNDERPAYMENT ERRORS EXCEEDING \$70,000

#### **Planned Start**

1st Quarter FY 2002

### **Objective**

To evaluate title II Disability Insurance underpayment errors exceeding \$70,000 discovered during SSA's clean up of the workload involving a workers' compensation (WC) offset.

### **Background**

Since 1998, we have issued three reports on title II Disability Insurance beneficiaries with WC offset. As a result of our prior audits, SSA acknowledged problems with the WC workload and formed a workgroup charged with significantly improving the accuracy of WC payments. SSA also reviewed and cleaned up 61,587 WC cases that had been in continuous offset from 1966 through November 1998.

As of February 2001, SSA had reviewed 47,422 (77 percent) of the 61,587 cases and had identified 258 cases with underpayments exceeding \$30,000. Of these 258 cases, 8 had underpayment errors exceeding \$70,000. We will review these cases to determine whether SSA accurately developed and calculated the dollar errors in these cases and made appropriate corrections to the Master Beneficiary Record.

### Systems Security

SSA's current information security challenge is to understand system vulnerabilities and how to mitigate them.

As technology advances and our reliance on technology increases, the need for a strong information infrastructure becomes more important. Protection of critical information and its infrastructure is an issue that is significant not just to the Agency, but to the entire Government. Presidential Decision Directive 63, issued in 1999, requires Federal agencies to identify and protect their critical infrastructure and assets. One of SSA's most valuable assets is the information it has been assigned to use to complete its mission. SSA is depending on technology to meet the challenges of ever-increasing workloads with fewer resources. A physically and technologically secure Agency information infrastructure is a fundamental requirement.

Along with the explosive growth in computer interconnectivity comes the risk of disrupting or sabotaging critical operations, reading or copying sensitive data, and tampering with critical processes. Those who wish to disrupt or sabotage critical operations have more tools than ever.

Strong systems security and controls are essential to protecting SSA's critical information infrastructure. SSA's current information security challenge is to understand system vulnerabilities and how to mitigate them. At SSA, this means ensuring its critical information infrastructure, such as the Internet and access to the networks, is secure. By improving systems security and controls, SSA will be able to use current and future technology more effectively to fulfill its users' needs.

SSA addresses critical information infrastructure and systems security in a variety of ways. It created a Critical Infrastructure Protection workgroup that continually works toward compliance with the Presidential Decision Directive 63. The workgroup has created several teams to address Agencywide systems security matters. SSA also routinely sends out security advisories to its staff of 65,000 and has hired outside contractors to provide expertise in this area.

Our work has identified several areas where SSA needs to ensure the security of its information. With a variety of challenges on the horizon, SSA needs to address the following issues:

- 1. lack of a comprehensive approach,
- 2. continued weaknesses in SSA's overall information protection control structure, as identified by PricewaterhouseCoopers,
- 3. internal control weaknesses that provide an opportunity for unauthorized access to confidential information.
- 4. limited review and analysis of system intrusion data, and
- 5. risks associated with providing service over the Internet.

In FY 2002, we plan to complete seven reviews and begin two reviews in this area.



### We plan to complete the following reviews in FY 2002

Electronic Disability Implementation	3-1
Private Branch Exchange Security	3-2
Review of Security over Remote Access to the Social Security Administration's Main Processing Environment	3-3
Social Security Administration Compliance With Established Guidance When Using Encryption	3-4
The Social Security Administration's Compliance with the Government Information Security Reform Act	3-5
The Social Security Administration's Controls over Data Exchange with Other Agencies	3-6
The Effectiveness of Internal Controls in the Social Security Administration's Representative Payee System	3-7

### We plan to begin the following reviews in FY 2002

Physical Security over the Social Security Administration's Laptops and Mobile Equipment Telecommunication Equipment

Project Management of Internet (Web-based) Applications

### **ELECTRONIC DISABILITY IMPLEMENTATION**

### **Planned Start**

Carry Over

### **Objective**

To assess the Electronic Disability (eDib) project's development and implementation progress and provide periodic reports.

### **Background**

The eDib project is the Agency's technological approach to automating the disability claims process. The project supports the Agency's goals to reduce pending disability workloads and processing times, ensure a satisfying work environment for employees, and ultimately eliminate the current paper-based process. Because of eDib's critical nature, we plan to monitor the system development and implementation progress and provide periodic reports.

EDib is a comprehensive project for all components in the disability processing enterprise and is focused on the following four major objectives:

- 1. creating an electronic folder that provides simultaneous access and sharing of disability information to all disability processing components,
- 2. automating the field office disability intake process,
- 3. leveraging the investment in existing Disability Determination Services legacy systems, and
- 4. automating the Office of Hearings and Appeals business processes.

An integral factor for meeting these objectives is the integration of the electronic folder into the disability business process. The electronic folder will allow case processing components to stop relying on the movement of a paper folder to process disability claims. The Agency is conducting a series of proof-of-concept pilots to determine the functionality, technology, and security requirements needed to help make eDib successful.

### PRIVATE BRANCH EXCHANGE SECURITY

### **Planned Start**

1<sup>st</sup> Quarter FY 2002

### **Objective**

To evaluate SSA's security over its Private Branch Exchange.

### Background

Private Branch Exchange is an essential component that supports the critical infrastructure of the Government and private industry. Information Technology is a sophisticated computer-based switch that can be thought of as a small, in-house telephone computer for the organization that operates it. Poorly secured Private Branch Exchanges are vulnerable to theft of service, disclosure of information, data modification, unauthorized access, denial of service, fraud, and monetary loss.

As SSA places more emphasis on performing its operations through its telecommunications system, the security of SSA's Private Branch Exchange becomes more critical. SSA has several Private Branch Exchange systems.

In FY 1997, our San Francisco office conducted an audit during FY 1997 on *Access Controls for the Social Security Administration's Telephone Switch at the Western Program Service Center*. This audit determined that Private Branch Exchange security capabilities were not monitored and fully used. Contractors found numerous problems with SSA's Private Branch Exchange system.

## REVIEW OF SECURITY OVER REMOTE ACCESS TO THE SOCIAL SECURITY ADMINISTRATION'S MAIN PROCESSING ENVIRONMENT

#### **Planned Start**

Carry Over

### **Objective**

To evaluate the effectiveness of security measures SSA uses to protect information in its main processing environment from the risks and threats inherent with remote access.

### **Background**

Direct access to the SSA data processing environment from remote locations presents opportunities to circumvent controls designed to protect the confidentiality and integrity of SSA information and systems. If the information and systems are not adequately protected, transmissions may be intercepted and subject to monitoring by unauthorized individuals. If system passwords are intercepted, information confidentiality, and possibly integrity and availability, would be compromised. Like transmitted information, if stored data are not adequately protected, they could be subject to compromises of confidentiality, integrity, and availability. The need for protection of transmitted and stored information will increase as SSA implements more distributed service delivery applications.

SSA is implementing a new Virtual Private Network. The Network is faster and costs less to maintain than SSA's legacy remote access system. The longer SSA delays full implementation of the new Virtual Private Network, the more unnecessary costs it will incur. We will review the adequacy of controls over the Virtual Private Network and determine whether it is being cost-effectively implemented.

## SOCIAL SECURITY ADMINISTRATION COMPLIANCE WITH ESTABLISHED GUIDANCE WHEN USING ENCRYPTION

#### **Planned Start**

1st Quarter FY 2002

### **Objective**

To determine whether SSA complies with established guidance when using encryption to protect the storage and transmission of sensitive data.

### **Background**

SSA's distributed data processing environment requires that sensitive information be transmitted over telecommunication lines. If the information and systems are not adequately protected, transmissions may be intercepted and subject to monitoring by unauthorized individuals. If system passwords are intercepted, information confidentiality and possibly information integrity and availability would be compromised. Like transmitted information, if stored data are not adequately protected, they could be subject to compromises of confidentiality, integrity and availability. The need for protection of transmitted and stored information will increase as SSA implements more distributed service delivery applications.

A key method of providing protection is by using cryptographic tools in conjunction with logical access controls, such as Personal Identification Numbers and passwords. Encryption renders data unintelligible to unauthorized users and helps protect the integrity of transmitted or stored data. Encryption is especially useful in network environments, and its use will increase, as service delivery applications become increasingly accessible to the public. We will determine whether SSA is in compliance with established guidance for the use of encryption and cryptographic models.

### THE SOCIAL SECURITY ADMINISTRATION'S COMPLIANCE WITH THE GOVERNMENT INFORMATION SECURITY REFORM ACT

#### **Planned Start**

2<sup>nd</sup> Quarter FY 2002

### **Objective**

To evaluate SSA's compliance with the Government Information Security Reform Act.

### **Background**

On October 30, 2000, the President signed into law the FY 2001 Defense Authorization Act (P.L. 106-398) including title X, subtitle G, Government Information Security Reform. The Act amends the Paperwork Reduction Act of 1995 by enacting a new subchapter on Information Security. The Act primarily addresses the program management and evaluation aspects of security. It covers unclassified and national security systems and creates the same management framework for each. At the policy level, the two types of systems remain separate. The Act became effective on November 29, 2000 and sunsets in 2 years.

The Office of Management and Budget (OMB) provides guidance to agencies on carrying out the *Act*. The guidance focuses on unclassified Federal systems and addresses only those areas of the legislation that introduce new or modified requirements. The *Act* requires the following for both unclassified and national security programs:

- 1. annual agency program reviews,
- 2. annual Inspector General evaluations,
- 3. agency reporting to OMB the results of Inspector General evaluations for unclassified systems and audits of Inspector General evaluations for national security programs, and
- 4. an annual OMB report to Congress summarizing the material received from agencies.

Agencies will submit this information beginning in 2001 as part of the budget process.

# THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS OVER DATA EXCHANGE WITH OTHER AGENCIES

#### **Planned Start**

1<sup>st</sup> Quarter FY 2002

## **Objective**

To evaluate SSA's control over confidential data shared with other agencies.

### Background

One of the Government's major goals is to create a one-stop Government site where citizens can conduct all of their Government business with one visit to the Internet. Sharing of information between agencies is critical to reaching this goal. The Office of Management and Budget recently issued M-01-05, *Guidance on Inter-Agency Sharing of Personnel Data*.

# THE EFFECTIVENESS OF INTERNAL CONTROLS IN THE SOCIAL SECURITY ADMINISTRATION'S REPRESENTATIVE PAYEE SYSTEM

#### **Planned Start**

Carry Over

#### **Objective**

To assess the computer-related controls surrounding SSA's Representative Payee System (RPS).

### **Background**

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs under titles II and XVI of the Social Security Act. These programs provide about \$36 billion in monthly benefit payments to about 52 million beneficiaries and recipients.

Over 6.9 million people who receive OASDI, SSI, or both cannot manage their own finances because of age or mental and/or physical impairments. Almost all children under age 18 have a representative payee (Rep Payee)—usually a parent. Adults who cannot manage their finances because of severe physical or mental limitations also need Rep Payees. For such people, SSA appoints a Rep Payee to receive and manage their benefit payments. A Rep Payee may be an individual (such as a parent, relative, friend or other concerned person), an agency (such as a state social service agency), or an organization (such as a nursing home or mental institution). Rep Payees must use the funds "in the best interests of the beneficiary." A Rep Payee's first priority is to provide food, shelter, medical care, and other items for the individual's personal comfort. Rep Payees are accountable to SSA for the money they receive and how it is spent, and any money that is left after the beneficiary's needs are met must be saved and maintained in the beneficiary's behalf. Of those receiving SSI payments, 33.6 percent have Rep Payees, and 10.6 percent of those receiving OASDI have Rep Payees.

The RPS was created in 1992 to provide an on-line data base of Rep Payee activity nationwide. The RPS was developed after Congress mandated in 1990 that SSA more thoroughly investigate Rep Payee applicants and establish a central file of Rep Payee data. The RPS was intended to provide field employees immediate access to vital information about Rep Payees and beneficiaries to prevent and detect fraud. The RPS has some built-in abilities to check for inconsistencies of Rep Payee applications and alert field staff to discrepancies. It also saves time because changes made for a single Rep Payee are propagated to all beneficiary records affected by that Rep Payee.

# Service Delivery

SSA needs to balance its delivery and stewardship roles.

SSA is committed to providing world-class service. Many initiatives are underway, but everincreasing workload demands, changing user preferences, emerging technologies, and other factors will require continual modifications to the way SSA delivers service in the future. Providing quality service to the public remains a critical management issue facing SSA, and SSA recognizes there are a number of significant service delivery problems that need attention. One such problem is the complexity of the programs SSA administers. SSA's workloads will continue to increase as "baby boomers" reach retirement age, challenging SSA to find ways to keep pace. As the Social Security Advisory Board reported, the result has been, and will continue to be, uneven service. Persons filing for retirement or survivor benefits are likely to be satisfied with the service provided. However, individuals with complicated cases, such as Disability Insurance or Supplemental Security Income, may encounter problems. As workloads increase, the dimensions of SSA's problems can be expected to grow. If left unattended, the public will be faced with crowded reception areas, long waiting times, inadequate telephone service, and reduced quality of work.

Ahead of SSA is a future that promises major technological advances and exponential growth in workloads. This growth will occur at the same time SSA faces an unusual wave of management and staff retirements. Even at current staffing levels, SSA finds it challenging to maintain an acceptable level of service, especially in its most complicated workloads. To meet the expected increases in future public demands, SSA will need to explore new and innovative ways to address service delivery problems and ensure the right individuals get paid timely and with a greater degree of accuracy. However, with increasing workloads and expected human capital shortages, SSA will undoubtedly be challenged as it moves to strengthen and revitalize future employee ranks while it addresses greater demands for its services.

In FY 2002, we plan to complete five reviews and begin four reviews in this issue area.



# We plan to complete the following reviews in FY 2002

Summary Report: Quick Response Activities	4-5
Status of the Payment Accuracy Task Force's 1997 Through 2000 Recommendations	4-4
Social Security Administration Employees with Title XVI Overpayment Write-Offs	4-3
The Social Security Administration's Management of Congressional Inquiries	4-2
Missing or Delayed Title II Case Files' Effect on Social Security Administration Operations	4-1

# We plan to begin the following reviews in FY 2002

Private Branch Exchange

The Impact State Reversed Offset Laws Have on Title II Disability Benefits

Uncollectible Title XVI Overpayments Due to Bankruptcy, Death and Presumptive Disability

Human Capital Management: The Social Security Administration's Recruitment and Retention Strategies to Address Future Workforce Needs

# MISSING OR DELAYED TITLE II CASE FILES' EFFECT ON SOCIAL SECURITY ADMINISTRATION OPERATIONS

#### **Planned Start**

Carry Over

## **Objective**

To determine the cause of missing or delayed title II case files and their effect on SSA.

#### **Background**

Field offices, program service centers, Disability Determination Services, and Offices of Hearings and Appeals routinely request case files to facilitate post-entitlement actions. Beneficiary files needed for such activities as system scheduled continuing disability reviews are automatically shipped. Without needed records, post-entitlement actions can be unnecessarily delayed and the quality of detailed case evaluations may be adversely impacted.

# THE SOCIAL SECURITY ADMINISTRATION'S MANAGEMENT OF CONGRESSIONAL INQUIRIES

#### **Planned Start**

1st Quarter FY 2002

### **Objective**

To assess SSA's management of congressional inquiries.

#### Background

SSA receives numerous inquiries that may come in various formats to any one of the Agency's Components. The Component that is responsible for receiving, controlling, and responding to "high priority" written inquiries is the Office of Public Inquiries, which is part of SSA's Office of Communications. These inquiries are addressed to the Commissioner of Social Security from the White House, members of Congress, Federal agencies, civic groups, and the public. Inquiries address such issues as how to get a replacement SSN card and the quality of SSA's services. In FY 2000, the Office of Public Inquiries controlled and/or responded to about 57,000 inquiries.

# SOCIAL SECURITY ADMINISTRATION EMPLOYEES WITH TITLE XVI OVERPAYMENT WRITE-OFFS

#### Planned Start

Carry Over

#### **Objective**

To evaluate the controls SSA has to ensure that existing title XVI overpayments belonging to existing, prior, and future employees that were written off are identified and properly resolved.

### **Background**

Title XVI of the Social Security Act established the Supplemental Security Income (SSI) program to provide income to financially needy individuals who are aged, blind, or disabled. SSA relies heavily on beneficiary self-disclosure of all financial resources as well as computer matching with other Federal and State agencies to determine who should receive SSI payments. Since an individual's financial resources, living arrangements, and marital status are subject to change, SSI payments are prone to errors that may result in overpayments. When overpayments are made, SSA attempts to obtain repayment from the individuals who receive the overpayment. However, SSA's collection efforts may be unsuccessful because the individual is unable or unwilling to pay or cannot be located.

SSA employees sign a Federal employment statement declaring whether they are delinquent on any Federal debt, including overpayment of benefits. However, SSA relies on the employee's self-disclosure and does not verify, through a match, if the employee has a delinquent SSA debt. Also, SSA does not ensure that any SSI recipients, also currently employed by SSA, are promptly reporting their estimated earned income thereby preventing an overpayment.

This lack of controls can create situations in which title XVI funds may be lost because SSA is unaware if employees owe a Federal debt, attest accurately to the declaration for Federal employment, or prevent or minimize potential overpayments from SSA employment.

# STATUS OF THE PAYMENT ACCURACY TASK FORCE'S 1997 THROUGH 2000 RECOMMENDATIONS

#### **Planned Start**

Carry Over

#### **Objective**

To summarize SSA self-reported implementation actions and self-assessed impact of the Payment Accuracy Task Force (PATF) recommendations for reducing opportunities for payment inaccuracies and improving the efficiency of program operations.

#### **Background**

In 1996, the PATF, a collaborative effort between the OIG and SSA was created to determine ways to address payment accuracy issues through policy, program, operational, and systems improvements. Since 1996, PATF has produced 4 reports with a total of 47 recommendations addressing payment error categories regarding Old-Age and Survivors Insurance earnings records, Supplemental Security Income earned and unearned income, and Old-Age and Survivors Insurance relationship/dependency. SSA has reported that it has implemented 26 recommendations to date.

# SUMMARY REPORT: QUICK RESPONSE ACTIVITIES

#### **Planned Start**

1<sup>st</sup> Quarter FY 2002

## **Objective**

To summarize the results of our FY 2002 responses to special inquiries received in FY 2001.

#### Background

In addition to conducting audits and evaluations, we respond to special inquiries. These efforts are short-duration, time-sensitive projects that address requests from Congress, senior SSA officials, other Federal agencies, beneficiaries, and others. From October 2000 through June 2001, we completed three congressional inquiries, nine requests from SSA management, one request from the American Federation of Government Employees, and two requests from the public.

These responses covered such issues as concerns over SSA's process for reclaiming erroneous benefits issued to deceased beneficiaries, the status of SSA's Payment Accuracy Task Force's recommendations, and concerns over the relocation of a Texas Office of Hearings and Appeals.

# **Human Capital**

GAO and OIG have identified specific SSA human capital challenges/vulnerabilities that impact the Agency's ability to meet projected service delivery needs. These include increasing demands for services, retirement of a substantial portion of its workforce and mixed successes in past technological investments.

In January 2001, the General Accounting Office (GAO) designated strategic human capital management as a high-risk, Government-wide issue needing immediate attention. This issue involves four pervasive Federal agency human capital challenges.

- 1. Acquisition and development of staffs whose size, skills, and deployment meet agency needs—ensuring current and future human capital needs are identified and gaps are filled through such efforts as effective recruiting, training, and contracting.
- 2. Leadership continuity and succession planning—ensuring there are qualified people available to assume top leadership positions before they become available.
- 3. Strategic human capital planning and organizational alignment—ensuring human capital strategies support strategic and program goals so an agency's mission, vision, and objectives are realized.
- 4. *Creation of results-oriented organizational cultures*—ensuring staff is empowered and motivated in conjunction with workplace accountability.

GAO and OIG have identified specific SSA human capital challenges/vulnerabilities that impact the Agency's ability to meet projected service delivery needs. These include the following:

Increasing demands for services—Beginning around 2008, the 76 million "baby boomers" will not only begin to move into their disability-prone years, they will begin to retire. SSA anticipates that by 2010, applications for Disability Insurance will increase by as much as 54 percent over 1999 levels and applications for retirement benefits by 20 percent over 1999 levels. A large proportion of retirees is expected to be non-English speaking. Also, many disability cases are expected to be mental-related impairments. Demands for the way services will be delivered are also expected to change, with individuals wanting different modes of accessibility. For example, using the Internet and "one-stop shopping" to access services and programs through one interaction with the Government.

Retirement of a substantial portion of SSA's workforce—SSA workforce retirements will peak between 2007 and 2009 with about 3,000 employees retiring per year. Over 80 percent of SSA's upper-level managers and executives (General Schedule Grades 14 and 15 and Senior Executive Service) will be eligible to retire by 2010. Between 2000 and 2010, about 60 percent of supervisors, 34 percent of claims representatives, and 29 percent of computer specialists are projected to retire.



Mixed success in past technological investments—To address anticipated increased workload demands, SSA plans to rely heavily on information technology. For example, SSA implemented the Intelligent Workstation/Local Area Network to provide the automated infrastructure for its redesigned work processes. However, according to GAO, some of the Agency's past experiences have shown mixed success. GAO reports that SSA has not been able to clearly demonstrate benefits resulting from some of its most significant investments.

In FY 2002, we plan to complete one review and begin two reviews in this issue area.

# We plan to complete the following review in FY 2002

Human Capital Management: Benchmarking Training and Employee Development at Public and Private Organizations and the Office of Hearings and Appeals

5-1

# We plan to begin the following reviews in FY 2002

Human Capital Management: The Social Security Administration's Recruitment and Retention Strategies to Address Future Workforce Needs

Training of Social Security Administration System Personnel

# HUMAN CAPITAL MANAGEMENT: BENCHMARKING TRAINING AND EMPLOYEE DEVELOPMENT AT PUBLIC AND PRIVATE ORGANIZATIONS AND THE OFFICE OF HEARINGS AND APPEALS

#### **Planned Start**

Carry Over

#### **Objective**

To assess the Office of Hearings and Appeals' (OHA) efforts in training and developing its future workforce by benchmarking public and private sector organizations.

#### **Background**

The Government employs a diverse and knowledge-based workforce composed of individuals with a broad spectrum of technical and program skills and institutional memory. They are the Government's human capital. Two key principles of human capital are that people are assets whose value can be enhanced through investments and that an organization's human capital policies must be aligned to support the organization's mission. The General Accounting Office reported that today's Federal human capital strategies are not appropriate to meet the Government's current and emerging needs and therefore it placed human capital on its "high risk" list, designating it as one of the Government's management challenges.

The largest OHA Regions and OHA's Headquarters component are predicted to have more retiree losses than any other Office of Disability and Income Security Programs component. This loss of institutional knowledge will require OHA to explore options to help managers balance growing workload demands with the need to have a highly trained and skilled workforce critical to meeting those demands. The Division of Training and Employee Development (DTED) in OHA's Office of Management is attempting to identify training needs and address them in a manner that ensures the best use of resources. DTED is focusing on documenting the competencies of different job series within OHA. Once DTED fully documents the competencies, it can design training programs that lead to specific career paths for employees and permit OHA to maintain technical capability in all of its mission areas.

In its February 2001 report, *Agenda for Social Security*, the Social Security Advisory Board warned that SSA's capacity to serve the public is increasingly at-risk. The reasons the Board cited are:

- SSA's growing workloads due to the "baby boomer" retirement wave;
- ➤ actuarial projections that, by 2010, there will be a 50-percent increase in Disability Insurance claims and a 15-percent increase in Supplemental Security Income claims;
- downsizing since 1982 that resulted in a 29-percent decrease in the number of employees who work in the Agency's field offices, teleservice centers, and program service centers;
- overworked managers and supervisors who lack the time to provide training and quality reviews; and

> estimates that, by 2010, over 28,000 employees in its workforce will retire, and another 10,000 will leave the agency for other reasons.

SSA has shown foresight in addressing this issue by assigning human capital as one of its strategic goals. We decided to assist the Agency by conducting an audit in this area.

# Performance, Management and Data Reliability

Our work to date demonstrates SSA is generally committed to the production and use of reliable performance and financial management data, but improvements would further enhance SSA's ability to produce accurate management information.

This area encompasses SSA's efforts to provide timely, useful and reliable data to assist internal and external decisionmakers in effectively managing Agency programs, evaluating performance, and ensuring the validity and reliability of performance and financial data.

To effectively meet its mission, manage its programs, and report on its performance, SSA needs sound performance and financial data. Congress, other external interested parties, and the general public also want sound data to monitor and evaluate SSA's performance. SSA primarily relies on internally generated data to manage the information it uses to administer its programs and to report to Congress and the public. The necessity for good internal data Governmentwide has resulted in the passage of several laws and regulations to make Government more accountable. The Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Government Performance and Results Act of 1993 (GPRA) were passed to create an environment of greater accountability within Federal agencies.

In accordance with GPRA, SSA has set forth its mission and strategic goals in 5-year strategic plans, established yearly targets in its annual performance plans, and reported on its performance in its annual performance reports. Each year, we conduct audits to assess the reliability of SSA's performance data and evaluate the extent to which SSA's performance plan describes SSA's planned and actual performance meaningfully. Our work to date has demonstrated that SSA is generally committed to the production and use of reliable performance and financial management data, but improvements would further enhance SSA's ability to produce accurate and actionable management information. Our most significant recommendations in this area are that SSA:

- > needs to establish performance indicators for all of its major management challenges;
- > needs to link resources needed to achieve its goals;
- needs a more robust accounting system to ascertain what it costs to perform a particular function;
- > should develop performance measures that more accurately reflect its performance; and
- > should improve documentation of the process used in measuring its performance.



In addition to performance audits, we perform and oversee audits and reviews of SSA's financial statements and other financial-related audits of SSA's operations. Our work includes an annual audit of SSA's financial statements as well as reviews of the quality of single audits conducted by State auditors and public accounting firms. We also conduct administrative cost audits of State Disability Determination Services, which assist SSA with its disability workload. Our work assesses the validity and reliability of the financial data SSA relies on to manage its programs and meet its mission.

The integrity of SSA's programs and those that rely on information from SSA depend on the reliability and quality of SSA's data. External data and data exchanges are critical to SSA's programs and are the focus of many of our audits. Therefore, it is imperative that SSA's data be reliable. For example, States provide data on workers' compensation benefits paid to individuals who may also be receiving SSA benefits. The Department of Veterans Affairs and the Centers for Medicare and Medicaid Services provide SSA information about medical care and deaths that ultimately impact the amount of benefits the Agency pays. Also, States use SSA program data to verify their own residents' eligibility for benefits, while employers verify new worker SSNs against SSA's Employee Verification System. SSA has become the repository for prisoner information it shares with other Federal agencies. Finally, SSA sells its data to the private sector. Considering the critical role of the underlying data in all of SSA's performance, financial, and data-sharing activities, it is crucial that the Agency have clear processes in place to ensure the reliability and integrity of its data.

In FY 2002, we plan to complete 27 reviews in this issue area.

# We plan to complete the following reviews in FY 2002

Cost Reimbursement for Social Security Administration-Funded Distributed Equipment for Non-Social Security Administration Purposes	6-1
Fiscal Year 2001 Financial Statement Oversight Audit	6-2
Management Letter Follow-up for Fiscal Year 1999	6-3
Management Letter Follow-up for Fiscal Year 2000	6-4
Maximus, Inc., Incurred Cost Contract Audit	6-5
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# COST REIMBURSEMENT FOR SOCIAL SECURITY ADMINISTRATION-FUNDED DISTRIBUTED EQUIPMENT FOR NON-SOCIAL SECURITY ADMINISTRATION PURPOSES

#### **Planned Start**

Carry Over

## **Objective**

To inform SSA about the conditions of Disability Determination Services' using SSA's funds for non-SSA work.

#### **Background**

The 22 Disability Determination Services that make disability determinations for SSA are also allowed to make determinations for State programs that are not related to SSA benefits. However, SSA should not be charged for the costs of the Disability Determination Services doing non-SSA work.

## FISCAL YEAR 2001 FINANCIAL STATEMENT OVERSIGHT AUDIT

#### **Planned Start**

Carry Over

## **Objective**

To fulfill our responsibilities under the Chief Financial Officers Act and related legislation for ensuring the quality of the audit work performed, we will monitor PricewaterhouseCoopers' audit of SSA's FY 2001 financial statements.

#### Background

The Chief Financial Officers Act of 1990 requires that agencies prepare annual audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the agency's internal control structure and its compliance with laws and regulations. PricewaterhouseCoopers will conduct the audit work to support this opinion of SSA's financial statement. We will monitor the contract to ensure the reliability of PricewaterhouseCoopers' work to meet our statutory requirements for auditing the Agency's financial statements.

### MANAGEMENT LETTER FOLLOW-UP FOR FISCAL YEAR 1999

#### **Planned Start**

Carry Over

#### **Objective**

To examine the status of implementation of recommendations in SSA's FY 1999 financial statement Management Letter.

#### **Background**

The Chief Financial Officers Act of 1990 requires that agencies prepare annual audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the Agency's internal control structure and its compliance with laws and regulations. An independent contractor will perform the audit work to support this opinion of SSA's financial statement. We will monitor the contract to ensure the reliability of the contractor's work to meet our statutory requirements for auditing the Agency's financial statements.

Our annual audit of SSA's financial statements sometimes identifies conditions that do not have a material impact on the financial statements. As such, the Management Letter is our vehicle for communicating such matters to SSA management. For FY 1999, an independent certified public accounting firm will perform the field work for the financial statement audit and any related Management Letter reporting. We will monitor the contract to ensure all relevant issues are brought to management's attention.

### MANAGEMENT LETTER FOLLOW-UP FOR FISCAL YEAR 2000

#### **Planned Start**

Carry Over

#### **Objective**

To examine the status of implementation of recommendations in SSA's FY 2000 financial statement Management Letter.

#### **Background**

The Chief Financial Officers Act of 1990 requires agencies to prepare annual audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the Agency's internal control structure and its compliance with laws and regulations. An independent contractor will perform the audit work to support this opinion of SSA's financial statement. We will monitor the contract to ensure the reliability of the contractor's work to meet our statutory requirements for auditing the Agency's financial statements.

Our annual audit of SSA's financial statements sometimes identifies conditions that do not have a material impact on the financial statements. As such, the Management Letter is our vehicle for communicating such matters to SSA management. For FY 2000, an independent certified public accounting firm will perform the field work for the financial statement audit and any related Management Letter reporting. We will monitor the contract to ensure all relevant issues are brought to management's attention.

# MAXIMUS, INC., INCURRED COST CONTRACT AUDIT

#### **Planned Start**

Carry Over

#### **Objective**

To determine whether costs claimed under the Maximus contract represented allowable, allocable, and reasonable costs under the contract's terms and applicable Federal regulations.

#### Background

Drug addicts and alcoholics are determined disabled if they meet income and other eligibility requirements. However, Public Law 104-121 eliminated this beneficiary category. Before the "drug addicts and alcoholics" category was eliminated, each State had a Referral and Monitoring Agency. The Referral and Monitoring Agency was usually a contractor that referred, assessed, and monitored both title II and title XVI drug addicts and alcoholic recipients. SSA's Office of Acquisition and Grants issued contract numbers 600-94-10784 and 600-95-22666 to Maximus, Inc., for Referral and Monitoring Agency services. The Maximus contracts had an estimated value of \$10 million and \$86 million, respectively. As an incurred cost audit, this audit is intended to provide the contracting officer information to assist in closing out the contract.

### **OUTCOME-BASED PERFORMANCE MEASURES**

#### **Planned Start**

Carry Over

### **Objective**

To determine whether SSA's performance measures are outcome- or output-based.

#### Background

The Government Performance and Results Act of 1993 and Office of Management and Budget Circular A-11, part 2, *Preparation and Submission of Strategic Plans and Annual Performance Plans and Annual Performance Reports*, state an annual performance plan should include outcome goals, whenever possible. Congress has also stated that annual goals should be quantified as outcomes, rather than outputs. In fact, the Government Performance and Results Act's ultimate aim is to have agencies manage for outcomes or results.

This audit will help SSA move closer to meeting the letter and nature of the law by (1) defining each of SSA's annual performance goals as either outcome- or output-based and (2) determining whether measures that are currently output-based can be expressed as outcome-based goals.

# PERFORMANCE MEASURE REVIEW: RELIABILITY OF THE DATA USED TO MEASURE DISABILITY CLAIMS PROCESSING

#### **Planned Start**

Carry Over

#### **Objective**

To assess the reliability of SSA's performance measurement data related to the timely processing of title II Disability Insurance (DI) claims and title XVI Supplemental Security Income (SSI) disability claims.

#### **Background**

The Government Performance and Results Act calls for each Federal agency to have and maintain a strategic plan with outcome-based goals and objectives. The strategic plans are required to explain how the goals and objectives are to be achieved and the program evaluations used to establish and revise the goals and objectives. Each agency must also maintain a performance plan that contains objective, quantifiable, and measurable performance goals and indicators using relevant outputs, service levels, and outcomes and a means for comparing, verifying, and validating the data.

SSA has established three performance measures for FY 2000 related to DI and SSI disability claims.

- 1. Initial disability claims average processing time (with a goal of 100 days).
- 2. Number of initial disability claims processed (with a goal of 2,144,000 cases).
- 3. Number of initial disability claims pending (with a goal of 408,000 cases).

We will be evaluating September, October, and November 1999 data to ensure they are a reliable source of performance measurement.

# PERFORMANCE MEASURE REVIEW: RELIABILITY OF THE DATA USED TO MEASURE ELECTRONIC SERVICE DELIVERY

#### **Planned Start**

Carry Over

#### **Objective**

To evaluate the reliability of data SSA uses to calculate the number of Social Security Statement requests initiated on-line (Internet) and through SSA's 800-number telephone system.

#### **Background**

The Government Performance and Results Act of 1993 (GPRA), Public Law 103-62, requires SSA to establish procedures to measure how successfully it performs its mission. SSA has developed goals and objectives as well as specific performance indicators to measure service levels and the outcomes of each program activity. GPRA also requires SSA to describe how it will verify the data used in the performance indicators. The OIG conducts audits and evaluations to determine the reliability of reported performance data.

By FY 2002, SSA wants to increase the range of program services available to the public via the Internet. In FY 2001, SSA plans to make additional forms and transactional services available electronically. These include spouse and survivor claim forms, a system that lets beneficiaries check the status of their SSA account, and a process that allows States to check the validity of a person's SSN before submitting death information. To help measure the annual increase in electronic services, SSA totals the implementation of planned Internet services and compares the number of Social Security statements requested on-line or via the Internet with the number requested over its 800-number telephone system.

# PERFORMANCE MEASURE REVIEW: RELIABILITY OF THE DATA USED TO MEASURE THE OFFICE OF HEARINGS AND APPEALS' DECISIONAL ACCURACY RATES

#### **Planned Start**

Carry Over

#### **Objective**

To evaluate the methodology the Office of Quality Assurance and Performance Assessment uses to conduct its quality assurance reviews of Office of Hearings and Appeals' disability hearing decisions.

#### **Background**

Administrative law judges review disability cases that are appealed after the Disability Determination Service renders an unfavorable decision at the reconsideration level. The administrative law judges perfect the evidentiary record; conduct a face-to-face, non-adversarial hearing with the claimant; and render a decision to either deny or award benefits.

The Office of Quality Assurance and Performance Assessment, under the Disability Hearings Quality Review Process (DHQRP), conducts systematic peer reviews of administrative law judges' disability decisions. The DHQRP is designed to promote fair and accurate hearing decisions and collect sufficient data to permit analyses of other adjudicative issues. The Office of Quality Assurance and Performance Assessment began the DHQRP in March 1993 and has published three reports providing information on the results of their reviews. The most recent report was published in September 1999.

# PERFORMANCE MEASURE REVIEW: RELIABILITY OF THE DATA USED TO MEASURE THE OFFICE OF HEARINGS AND APPEALS' PRODUCTION PER WORKYEAR

#### **Planned Start**

Carry Over

### **Objective**

To assess the reliability of the performance data the SSA used to measure the Office of Hearings and Appeals' production per workyear in the hearings process.

#### **Background**

The Government Performance and Results Act of 1993 requires that Federal agencies

- (1) develop strategic plans that include a mission statement and strategic goals and objectives;
- (2) develop annual performance plans that include objective, quantifiable, and measurable performance indicators and goals; and (3) prepare annual reports for Congress and the President that compare actual performance to the goals established in the annual performance plans.

The Office of Hearings and Appeals is implementing a Hearings Process Improvement Plan to improve service to individuals requesting hearings. The plan includes the use of processing time benchmarks, group-based accountability in hearing offices, and enhanced management information and processing tools. SSA projects that, when fully implemented, the Hearings Process Improvement Plan will reduce processing times from a projected level of 313 days in FY 1999 to less than 200 days in FY 2002. SSA estimates these reductions can be achieved without additional resources.

This indicator represents the annual percentage increase in productivity relative to the base year (FY 1999). The FY 2000 estimate is a 4-percent increase, and the goal for FY 2001 is a 14-percent increase in the hearings process production per workyear. The output measure for the budgeted number of hearings processed is 582,000. Our review will evaluate the reliability of the data used to measure and report the actual performance.

# PERFORMANCE MEASURE REVIEW: RELIABILITY OF THE DATA USED TO MEASURE THE PERCENTAGE OF BENEFICIARIES RETURNING TO WORK

#### **Planned Start**

Carry Over

### **Objective**

To assess the reliability of SSA's performance measure data to increase the number of disabled beneficiaries who are working.

#### **Background**

The Government Performance and Results Act of 1993 requires that Federal agencies (1) develop strategic plans that include a mission statement and strategic goals and objectives;

(2) develop annual performance plans that include objective, quantifiable, and measurable performance indicators and goals; and (3) prepare annual reports for Congress and the President that compare actual performance to the goals established in the annual performance plans.

SSA believes many beneficiaries with disabilities want to work and become independent, and many can work despite their impairments if they receive the support they need. To that end, SSA has implemented work incentive provisions in its disability programs. Currently, however, less than one-half of 1 percent of Disability Insurance and about 1 percent of Supplemental Security Income recipients actually leave the programs because of work activity. SSA has established performance indicators under the Government Performance and Results Act to increase the number of adult workers who receive Disability Insurance benefits who begin trial work periods and to increase the number of disabled beneficiaries who receive Supplemental Security Income payments, aged 18 to 64, who are working. For FY 2000, SSA established goals of 10-percent increases for each of these indicators.

# PERFORMANCE MEASURE REVIEW: RELIABILITY OF THE DATA USED TO MEASURE CUSTOMER SATISFACTION

#### **Planned Start**

1<sup>st</sup> Quarter FY 2002

### **Objective**

To determine the reliability of the data SSA uses to measure its customer satisfaction.

### **Background**

We have devoted considerable resources to determining the reliability of the data SSA uses to measure its programs. Our March 31, 2000 Semiannual Report to the Congress stated we had completed audits of the data used to measure 21 performance measures. By September 30, 2001, we will almost double the amount of measures audited. The measures addressed to date relate to SSA's most visible programs and management issues (for example, Supplemental Security Income, Disability Insurance, SSN card issuance, and 800-number service).

The financial statement audit contract that was recently awarded to PricewaterhouseCoopers includes an option year task on determining the reliability of SSA's program performance data. In short, PricewaterhouseCoopers would continue the work our audit issue teams have completed over the last 3 years. There is some concern that necessary funds will not be available to exercise this contract option. If the funds are not available, our issue teams will complete this work.

As part of the continuing work in this area, we will complete follow-up audits on performance data previously audited. The follow-up work will determine whether SSA (1) implemented previous recommendations to strengthen the performance data and/or (2) has modified the methods used to collect the data. This audit will examine the data SSA uses to measure its customer satisfaction. We originally audited SSA's customer satisfaction data in FY 1999.

# PERFORMANCE MEASURE REVIEW: RELIABILITY OF THE DATA USED TO MEASURE THE TIMELY PROCESSING OF DISABILITY INSURANCE CLAIMS

#### **Planned Start**

Carry Over

#### **Objective**

To assess the reliability of the performance data used to measure the timely processing of Disability Insurance claims.

#### **Background**

The Government Performance and Results Act requires SSA to develop annual performance plans that contain performance indicators and goals. SSA oversees two long-term disability programs. The first is Disability Insurance, which is authorized under title II of the Social Security Act and makes monthly payments to disabled individuals based on prior work. The second is Supplemental Security Income, which is authorized under title XVI of the Social Security Act and provides monthly payments to disabled individuals based on financial need. The FY 1998 goal for this indicator is 50 percent. SSA exceeded this goal in FY 1997.

Performance measurement data for Disability Insurance claims are maintained in the following SSA systems: Modernized Claims System, SSA Claims Control System; and Management Information Initial Claims Records. This review will examine data entered into the Modernized Claim System and related systems to determine its reliability.

# PRICEWATERHOUSE COOPERS' MANAGEMENT LETTER FOR FISCAL YEAR 2001

#### **Planned Start**

Carry Over

#### **Objective**

To report on detailed recommendations for issues that came to PricewaterhouseCoopers' attention, other than reportable conditions, during the FY 2001 Financial Statement audit.

#### **Background**

The Chief Financial Officers Act of 1990 requires agencies to prepare annual audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the agency's internal control structure and its compliance with laws and regulations. An independent contractor will perform the audit work to support this opinion of SSA's financial statement.

During its audit, PricewaterhouseCoopers noted certain matters involving internal controls and their operation it considered reportable conditions according to standards established by the American Institute of Certified Public Accountants and Office of Management and Budget Bulletin 98-08, *Audit Requirements for Federal Financial Statements*, as amended. Reportable conditions involve matters that came to PricewaterhouseCoopers' attention relating to significant deficiencies in the design or operation of internal control that could adversely affect the entity's ability to meet the internal control objectives described in Office of Management and Budget Bulletin 98-08, as amended.

The Management Letter contains detailed recommendations on issues that came to the auditors attention other than the reportable conditions described above.

# REVIEW OF THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS TO MANAGE AND MONITOR CONTRACTS

#### Planned Start

1<sup>st</sup> Quarter FY 2002

### Objective

To obtain a sufficient understanding of the Offices of Acquisition and Grants and Finance's overall control environment for accounting controls, including manual and computerized activities to ensure procurement activities are conducted effectively and efficiently and in the Government's interest.

#### Background

The Office of Acquisitions and Grants' mission is to direct the business management aspects of SSA's acquisition and grants management program by awarding and administering contracts, preparing purchase orders or other contractual instruments, and awarding and administering grants. The Office of Acquisitions and Grants also develops and implements policies, procedures and directives for all acquisition and grants activities SSA-wide. Since 1998, the Office of Acquisitions and Grants has awarded between \$429.7 to \$451.1 million per fiscal year in contracts with total contract values between \$1.1 to \$2 billion.

# REVIEW OF THE SOCIAL SECURITY ADMINISTRATION'S FISCAL YEAR 2003 ANNUAL PERFORMANCE PLAN

#### Planned Start

3<sup>rd</sup> Quarter FY 2002

### Objective

To determine whether SSA's FY 2003 Annual Performance Plan adheres to the Government Performance and Results Act of 1993 and other related guidance and establishes performance indicators, goals, and strategies for all of SSA's mission-critical activities.

### Background

In accordance with the Government Performance and Results Act, SSA releases annual performance plans that include performance indicators and goals and the strategies that will lead the Agency to meet its annual goals. In short, the document provides the Agency's business plan for each year. The indicators, goals, and strategies demonstrate the issues SSA will address and report on for a given year.

SSA places great importance on meeting its annual goals. This importance, indicated by a continual tracking of the most critical goals and the creation of working groups to continually update performance indicators, goals and strategies, directly relates to the importance of having indicators, goals, and strategies for all of SSA's mission-critical activities. SSA highlights in its annual performance plans those activities it focuses on year-round.

We have reviewed SSA's annual performance plans since they were required in FY 1999. We have worked with SSA's Office of Strategic Management to strengthen the plans from year to year. Congress has been interested in our reviews, as a few leading members of Congress champion the Government Performance and Results Act and its requirements.

# STATE DISABILITY DETERMINATION SERVICES' ADMINISTRATIVE COSTS FOR ALABAMA

#### Planned Start

Carry Over

### Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs*, Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds; and (4) assess the general controls environment at the State Disability Determination Service agency.

#### Background

The Disability Insurance program was established in 1956 under title II of the Social Security Act. Title II is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# STATE DISABILITY DETERMINATION SERVICES' ADMINISTRATIVE COSTS FOR CALIFORNIA

#### Planned Start

Carry Over

## Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs*, Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds; and (4) assess the general controls environment at the State Disability Determination Service agency.

#### Background

The Disability Insurance program was established in 1956 under title II of the Social Security Act. Title II is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# STATE DISABILITY DETERMINATION SERVICES' ADMINISTRATIVE COSTS FOR GEORGIA

#### Planned Start

Carry Over

### Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs*, Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds; and (4) assess the general controls environment at the State Disability Determination Service agency.

#### Background

The Disability Insurance program was established in 1956 under title II of the Social Security Act. Title II is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# STATE DISABILITY DETERMINATION SERVICES' ADMINISTRATIVE COSTS FOR ILLINOIS

#### Planned Start

Carry Over

# Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs*, Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds; and (4) assess the general controls environment at the State Disability Determination Service agency.

## Background

# STATE DISABILITY DETERMINATION SERVICES' ADMINISTRATIVE COSTS FOR KANSAS

#### Planned Start

Carry Over

# Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs*, Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds; and (4) assess the general controls environment at the State Disability Determination Service agency.

## Background

# STATE DISABILITY DETERMINATION SERVICES' ADMINISTRATIVE COSTS FOR NEW YORK

#### Planned Start

Carry Over

# **Planned Completion**

2nd Quarter FY 2002

# Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs*, Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds; and (4) assess the general controls environment at the State Disability Determination Service agency.

#### Background

# STATE DISABILITY DETERMINATION SERVICES' ADMINISTRATIVE COSTS FOR NORTH DAKOTA

#### Planned Start

Carry Over

# Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs*, Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds; and (4) assess the general controls environment at the State Disability Determination Service agency.

## Background

# STATE DISABILITY DETERMINATION SERVICES' ADMINISTRATIVE COSTS FOR WASHINGTON

#### Planned Start

Carry Over

# Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs*, Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds; and (4) assess the general controls environment at the State Disability Determination Service agency.

## Background

# SUMMARY OF FISCAL YEAR 2001 SINGLE AUDIT OVERSIGHT ACTIVITIES

#### Planned Start

1<sup>st</sup> Quarter FY 2002

# Objective

To summarize internal control weaknesses at State Disability Determination Services reported in State single audits and identified during FY 2001 single audit oversight activities.

## Background

On July 5, 1996, the President signed the Single Audit Act Amendments of 1996, which extended the statutory audit requirement to nonprofit organizations and revised various provisions of the 1984 Act including raising the Federal financial assistance dollar threshold from \$100,000 to \$300,000. On June 30, 1997, the Office of Management and Budget issued revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, to implement the 1996 amendments and rescinded Circular A-128.

There are 54 DDSs located in the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. All Disability Determination Services are subject to the Single Audit Act except for the federally administered Virgin Islands Disability Determination Service.

# THE INSPECTOR GENERAL'S REPORT CONSOLIDATION ACT STATEMENT

#### Planned Start

Carry Over

# Objective

To meet the requirements of the *Report Consolidation Act of 2000* by drafting an Inspector General statement on progress made on SSA's top management challenges.

# Background

The *Report Consolidation Act of 2000* calls for the Inspector General to prepare a statement to be included in SSA's accountability report that summarizes what the Inspector General considers to be the most serious management and performance challenges facing the Agency. The statement should also assess the Agency's progress in addressing those challenges.

# THE SOCIAL SECURITY ADMINISTRATION'S COST-EFFECTIVENESS MEASUREMENT SYSTEM

#### **Planned Start**

Carry Over

## **Objective**

To assess the accuracy and use of the Cost-Effectiveness Measurement System (CEMS).

## **Background**

In September 1982, SSA developed CEMS. The data CEMS generates provide for the measurement of the costs of operating each State Disability Determination Service (DDS) as well as a methodology for determining the relative cost-effectiveness of each DDS. The CEMS management reports are particularly significant because they provide the basis for the eventual establishment of formal cost standards for DDSs.

SSA instructs DDSs to (1) input cost and workload data into CEMS by the 45th day after the close of each quarter, (2) reconcile the CEMS report to the *Report of Obligations* (Form SSA-4513), and (3) provide quarterly *Cost Summary and Comparison Reconciliation* and CEMS reporting forms to their respective SSA regional office.

The regional offices are to evaluate the reconciliation forms, resolve any discrepancies, and forward copies to the Office of Disability.

To support the disability determination process, the computer systems SSA uses should be well-designed, uniform, efficient, and well-managed. Accordingly, SSA should give high priority to ensuring that CEMS data are accurate and adequately permit examination and analysis of DDS cost and performance.

# Management of the Disability Process

SSA strives to deliver the highest level of service by making fair, consistent, accurate and timely disability determinations at all adjudicative levels.

SSA administers two programs that provide benefits based on disability: Disability Insurance (DI) and Supplemental Security Income (SSI). Most disability claims are initially processed through a network of Social Security field offices (FO) and State Disability Determination Services (DDS). SSA representatives in the FOs are responsible for obtaining applications for disability benefits and verifying non-medical eligibility requirements, which may include age, employment, marital status, or Social Security coverage information. The FO sends the case to a DDS for evaluation of disability. The DDSs, which are fully funded by SSA, are State agencies responsible for developing medical evidence and rendering the initial determination on whether the claimant is legally disabled or blind. After the DDS makes the disability determination, it returns the case to the FO for appropriate action depending on whether the claim is allowed or denied. In FY 2000, 2,035,627 initial disability claims were processed, and the average processing time was 102 days.

Once SSA establishes an individual is eligible for disability benefits under either DI or SSI, the Agency turns its efforts toward ensuring individuals only continue to receive benefits as long as they meet SSA's eligibility criteria. Disability benefits will not continue if legislation or Federal regulations rescind a prior disabling condition from qualifying for benefits; a child turns 18-years-old and is no longer considered disabled under adult criteria; a beneficiary/recipient returns to work and has income over SSA's allowable amount; or a continuing disability review (CDR) shows the individual is no longer disabled. In FY 2000, over 1,836,510 periodic CDRs were processed.

The Office of Hearings and Appeals (OHA) is responsible for holding hearings and issuing decisions at two distinct stages in SSA's appeals process. OHA's field structure consists of 10 regional offices and 138 hearing offices. These offices are staffed by approximately 1,000 administrative law judges (ALJ) and 5,400 support staff. In FY 2000, hearing offices received 569,000 appeals and disposed of 539,000 cases.

The Appeals Council is the final level of administrative review for claims filed under DI and SSI. The Appeals Council reviews ALJ decisions and dismissals upon the claimant's timely request for review. In FY 2000, the Appeals Council received 112,000 requests for review and disposed of 131,000 cases.

Over the last several years, SSA has tested several improvements to the disability claims process as a result of concerns about the timeliness and quality of service. SSA's Disability Redesign plan combines initiatives that have been tested and piloted over the last few years and includes all levels of eligibility determination—beginning with State DDSs and going through the hearings and appeals processes. The Hearings Process Improvement Plan, when fully implemented, is expected to result in an overall reduction in processing time and increased productivity. The focus of the Appeals Council Process Improvement Action Plan is to reduce the time claimants wait for action from the Appeals Council. In FY 2002, we plan to complete 6 reviews and begin 14 reviews in this issue area.

## We plan to complete the following reviews in FY 2002

Appeals Council Process Improvement Action Plan	7-1
Disability Determination Services' Budget Execution and Reporting of Limitations on Administrative Expense Funds	7-2
Financial Incentives Received by State Disability Determination Services from Volume Medical Providers	7-3
Follow-up Review of the Social Security Administration's Implementation of Drug Addiction and Alcohol Provisions of Public Law 104-121	7-4
Methodology for Measuring the Hearings Process Improvement Initiative's Impact on Processing Times	7-5
Status of the Social Security Administration's Disability Redesign Initiatives	7-6
We plan to begin the following reviews in FY 2002	

Contract of the Ticket to Work Self-Sufficiency Program

Determining the Costs of Performance

Fiscal Year 2002 Financial Statement Oversight Audit

Management Letter Follow-up for Fiscal Year 2001

Review of the Social Security Administration's Compliance with Federal Acquisition Regulaitons Regarding the Use of Purchase Orders and Blanket Purchase Agreements

State Disability Determination Services Administrative Costs for Florida

State Disability Determination Services Administrative Costs for New Mexico

State Disability Determination Services Administrative Costs for Texas

Disability Determination Services Performance

Field Office Processing of Disability Claims Applications

Redeterminations for Children Whose Disabilities are Based on Low Birth Weight

Review of Low-Birth-Weight Criteria as Applied to Multiple-Birth Infants

The Social Security Administration's Controls for Identifying Disabled Beneficiaries with Unreported Wages

Ticket to Work Incentive Improvement Program

# APPEALS COUNCIL PROCESS IMPROVEMENT ACTION PLAN

#### Planned Start

Carry Over

# Objective

To assess the effectiveness of the short-term initiatives of the Appeals Council Process Improvement Action Plan.

## Background

The Appeals Council provides the final level of administrative review for claims. The Council reviews hearing decisions and dismissals at a claimant's request. The Council receives approximately 110,000 requests for review each year. The processing times for cases has increased from 141 days in 1995 to 505 days in 2000. The pending requests increased from 47,000 in 1995 to 128,000 in 2000. In March 2000, SSA established the Appeals Council Process Improvement Action Plan to improve the quality of service to claimants seeking request for review by the Appeals Council. The goal was to reduce the processing time for requests for review cases to 160 days by the end of 2001. In addition, Appeals Council process improvement would reduce the pending request workload to 51,100 by the end of 2001.

The Plan contains short-term process innovations and long-term structural improvements. The short-term initiatives include increasing productivity of existing staff, adding resources to increase capacity, and adjusting incoming workloads. These initiatives began at various times in 2000 and are scheduled to end in 2001. Specific short-term actions include hiring 30 staff, the Office of General Counsel providing 25 work years of staff time, emphasis on aged requests, managers processing appeals, and using retired administrative law judges to review cases.

# DISABILITY DETERMINATION SERVICES' BUDGET EXECUTION AND REPORTING OF LIMITATIONS ON ADMINISTRATIVE EXPENSE FUNDS

#### Planned Start

Carry Over

# Objective

To evaluate SSA's policies and procedures for Disability Determination Services' budget execution and reporting of obligations.

# Background

SSA is primarily responsible for implementing the general policies for developing Disability Insurance (DI) and Supplemental Security Income (SSI) disability claims. Disability determinations under both DI and SSI are performed by an agency in each State according to SSA regulations. These State agencies are referred to as DDSs. SSA pays the DDSs for 100 percent of their allowable administrative costs.

Each year, SSA determines the amount of the DDS funding authorization. The DDS funding authorizations are allocated from SSA's Limitation on Annual Expenses (LAE) appropriations for DDSs to perform disability determinations. The LAE appropriation laws and related allotment and allowance advises restrict the availability of LAE funds for obligation by SSA to that Federal fiscal year. SSA's funding levels for each DDS are reported on the *State Agency Obligational Authorization for Disability Programs* (Form SSA-872). For SSA's purpose, Form SSA-872 creates an obligation in SSA's accounting records. After each Federal fiscal year quarter, DDSs submit a *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513), reporting the obligations it incurred. Guidance for the DDS' financial management is contained in SSA's Program Operations Manual System, section DI 39506.

SSA requested we audit the administrative costs claimed by the Ohio Bureau of Disability Determinations for FYs 1995 through 1997 (*Audit of Administrative Costs Claimed by the Ohio Rehabilitative Services Commission for Its Bureau of Disability Determinations*, A-13-98-51007). During that audit, we determined that purchase orders for electronic data processing and other equipment, totaling \$4.3 million, were issued after the close of the respective Federal fiscal years. We could not determine whether these purchase orders were allowable and deferred that determination to SSA

# FINANCIAL INCENTIVES RECEIVED BY STATE DISABILITY DETERMINATION SERVICES FROM VOLUME MEDICAL PROVIDERS

#### Planned Start

1<sup>st</sup> Quarter FY 2002

# Objective

To determine whether State Disability Determination Services are receiving financial incentives from volume consultative examination providers.

# Background

According to SSA's instructions, Disability Determination Services should receive a financial incentive from those medical providers reimbursed \$100,000 or more, annually, referred to as volume providers. This instruction implies that, if a medical provider is given a large Disability Determination Services' workload, the provider should, in turn, be willing to perform the services at a fee less than the fee normally reimbursed by the Disability Determination Service.

# FOLLOW-UP REVIEW OF THE SOCIAL SECURITY ADMINISTRATION'S IMPLEMENTATION OF DRUG ADDICTION AND ALCOHOL PROVISIONS OF PUBLIC LAW 104-121

#### Planned Start

Carry Over

# Objective

To determine whether SSA implemented the recommendations included in our May 2000 report, *Implementation of Drug Addiction and Alcohol Provisions of Public Law 104-121*.

## Background

The Social Security Act was amended on March 29, 1996 as part of the Contract with America Advancement Act of 1996 (Public Law 104-121) to prohibit the payment of Disability Insurance (DI) benefits and Supplemental Security Income (SSI) payments if Drug Addiction and Alcoholism (DAA) is material to the disability finding. DAA is material to the disability finding when the evidence establishes the individual would not be disabled if he/she stopped using drugs or alcohol. Public Law 104-121 requires that SSA terminate DI benefits and SSI payments for individuals whose disabilities were based on DAA.

We conducted an audit to determine whether SSA identified all beneficiaries and recipients for whom DAA was a contributing factor to the disability finding. In our final report, we determined that SSA did not identify and terminate benefits to all beneficiaries for whom DAA was a contributing factor to the finding of disability in accordance with Public Law 104-121. During our review of diagnosis codes and DAA indicators on the Master Beneficiary and Supplemental Security Records, we identified 19,946 cases with a DAA indicator and/or a diagnosis code that represented DAA. Based on our statistical sample, we estimated that 3,190 individuals were incorrectly paid \$38.74 million in benefits from the date Public Law 104-121 took effect, and 14,420 individuals did not have the correct diagnosis codes and/or DAA indicators on their records to show that DAA was not material to the disability finding.

Based on our report, SSA agreed to do the following.

- 1. Review the 10,611 SSI cases that it asserted were either properly handled or miscoded and apply the provisions of Public Law 104-121 where appropriate.
- 2. When conducting the next scheduled continuing disability review for the 6,066 DI cases in our extract, ensure that benefits are terminated if DAA is material to the disability finding.
- 3. Ensure the 3,269 cases it agreed to review are completed, the coding corrected, and the benefits terminated, where appropriate.
- 4. Modify its systems so primary diagnosis codes of 3030 and 3040 will no longer be accepted.

# METHODOLOGY FOR MEASURING THE HEARINGS PROCESS IMPROVEMENT INITIATIVE'S IMPACT ON PROCESSING TIMES

#### Planned Start

Carry Over

# Objective

To evaluate the methodologies SSA uses to determine how the Hearing Process Improvement (HPI) initiative has affected the processing times of disability hearing decisions.

### Background

The Commissioner of Social Security approved the HPI initiative in August 1999. HPI is now fully implemented in all hearing offices. Phase 3 was implemented on November 20, 2000, making HPI the Office of Hearings and Appeals' (OHA) "business process." Phase 1 and 2 offices implemented HPI in January and October 2000, respectively.

HPI was designed to improve efficiency and productivity in the hearing offices capable of fulfilling the OHA's mission. This was to be realized by reducing processing times, improving quality and productivity, promoting individualized case management, and increasing employee job satisfaction.

As one of HPI's goals, OHA is committed to reducing the time it takes to process a case to completion (processing time). From 1994 to 1999, processing times exceeded 300 days—a measure SSA considered unacceptable. The long processing times were caused by process delays, such as the extended time cases waited in queue before moving to the next step in the process. Consequently, cases waited too long before they were scheduled for a hearing. Furthermore, cases that had been scheduled for hearings were not always developed sufficiently. This lack of sufficient development led to postponements or continuances, which resulted in additional delays. Another factor contributing to long processing times was the inadequate early screening process that could have expedited cases that should have been allowed or dismissed based on information contained on the record.

SSA's goal for processing a typical case through OHA is 180 days or less by FY 2004. For FY 2001, SSA projected the average processing time would be 208 days for its disability cases including Medicare cases.

# STATUS OF THE SOCIAL SECURITY ADMINISTRATION'S DISABILITY REDESIGN INITIATIVES

#### Planned Start

Carry Over

# Objective

To ascertain the status of SSA's disability redesign initiatives.

# Background

SSA has tested several process changes over the last few years as part of its Disability Process Redesign efforts. In March 1999, the Commissioner of Social Security announced his decisions regarding the future of redesign. The Commissioner resolved to proceed with the following redesign initiatives.

- 1. Continue process unification efforts toward the goal of similar results on similar cases at all stages of the process through consistent application of laws, regulations, and rulings.
- 2. Conduct prototype testing of certain redesign features in 10 State Disability Determination Services.
- 3. Make several improvements at the hearings level.
- 4. Continue testing the Disability Claims Manager position.
- 5. Establish flexible disability units at SSA's processing centers to process hearings and other disability workloads.
- 6. Develop a uniform quality assurance system.

# Integrity of the Earnings Reporting Process

The integrity of SSA's process for posting workers' earnings is critical to ensuring eligible individuals receive the full retirement, survivor and/or disability benefits due them.

The integrity of SSA's process for posting workers' earnings is critical to ensuring eligible individuals receive the full retirement, survivor, and/or disability benefits due them. Earnings information reported to SSA by employers and self-employed individuals form the basis of all retirement benefit calculations under both the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs. If earnings information is reported incorrectly, or not reported at all, SSA cannot ensure that all eligible individuals are receiving the correct payment amounts. In addition, SSA's disability programs under OASDI and SSI depend on this earnings information to determine: (1) whether an individual is eligible for benefits; and (2) the size of the disability payment. Finally, SSA spends scarce resources trying to correct the earnings data when incorrect information is reported.

The Earnings Suspense File (ESF) primarily consists of reported earnings that are put into suspense because the name/SSN combination does not match validation criteria within SSA's systems. Although SSA has accurately posted approximately 99 percent of all reported earnings, the remaining earnings that cannot be matched continue to accumulate in the ESF. Between 1937 and 1999, the ESF grew to about \$333 billion in wages representing approximately 227 million wage items. Each year, SSA receives about 21 million wage items that have an invalid name and SSN combination, and, through extensive computer matches and manual efforts, this number is reduced to about 6.5 million items, annually. However, further efforts to resolve invalid wage items can take years.

Another concern is the additional administrative cost required to match data to individual records to correct invalid earnings information. SSA has previously reported that it can cost as much as \$300 to correct an earnings item once the item has gone into suspense, compared to a cost of only 50 cents if the earnings had been reported correctly.

SSA has developed a tactical plan containing an overall strategy and several individual projects designed to reduce the ESF's rate of growth and size. For example, SSA plans to expand the use of the voluntary Employee Verification Service (EVS) to assist employers in verifying new hire names/SSNs. However, the changes called for in the tactical plan are long-term, and several factors, both internal and external to SSA, hinder the efforts with the most potential to reduce the ESF's size and growth. Some of the internal factors include a higher priority placed on other automated system developments and the fact that SSA has not linked available information in its data base to identify chronic "problem" employers who continually submit annual wage reports with multiple errors. External factors include other Federal agencies with separate yet related mandates, such as the Internal Revenue Service's (IRS) failure to sanction employers for submitting invalid wage data and the Immigration and Naturalization Service's (INS) complicated employer procedures for verification of eligible employees.

Ensuring the integrity of earnings in the Master Earnings File (MEF), the repository of earnings related to specific individual accounts, is also a critical audit area. An earlier OIG audit found the MEF contained over \$8.3 billion in duplicate earnings postings. These duplicate earnings errors caused over \$10.5 million in excess payments to about 31,800 beneficiaries. Another OIG audit found that SSA did not maintain sufficient controls over the wage reporting process to ensure employers were submitting quality earnings data. The audit noted that 285 employers submitted erroneous wage reports in which over 50 percent of their wages were in error 3 years in a row without SSA taking any action, even though more than \$8.5 million in penalties could have been assessed. Another 3,428 employers submitted similar erroneous wage reports in consecutive years.

SSA has developed other processes to validate the earnings data in the MEF. In recent years, SSA started mailing Social Security statements to individuals who had earnings and were age 25 or older. In FY 2000, SSA mailed over 134 million of these statements. If an individual contacts SSA about missing earnings, these amounts are either reinstated from the ESF to the MEF, if they are currently in suspense, or added as new earnings to the MEF. The reasons behind these reinstated and/or new wages may provide examples of weaknesses in the overall earnings reporting process as well as opportunities for correcting the problems.

#### We have recommended that SSA:

- > seek legislative authority to provide SSA the tools to require chronic problem employers to use EVS;
- > strengthen efforts with the IRS and INS to identify problem employers, given that some large employers have as much as two-thirds of their wage reports going into suspense;
- work with the IRS to seek legislative authority clarifying employers' rights to see the SSN card before hiring;
- pursue with the IRS penalties on chronic problem employers and, should the IRS fail to impose such penalties, seek SSA sanctioning authority;
- collaborate with the INS to develop a better understanding of the extent that immigration issues contribute to SSN misuse and the growth of the ESF; and
- establish performance goals and measures in accordance with the Government Performance and Results Act of 1993 that track SSA's success in reducing the growth and size of the ESF.

In FY 2002, we plan to complete four reviews and begin three reviews in this issue area

# We plan to complete the following reviews in FY 2002

Composition of the Earnings Suspense File	8-1
Effectiveness of the Earnings after Death Process in Verifying the Legitimacy of Reported Wages	8-2
Evaluate the Social Security Administration's Decentralized Correspondence Process	8-3
Evaluation of the Social Security Administration's Employee Verification Program	8-4

# We plan to begin the following reviews in FY 2002

Follow-up Review of Controls over Duplicate Postings of Self-Employment Income to the Master Earnings Records

Impact of Employer Wage Corrections on the Earnings Suspense File

Review of Wages Reinstated from the Suspense File to the Master Earnings File

# COMPOSITION OF THE EARNINGS SUSPENSE FILE

#### Planned Start

Carry Over

# Objective

To review and analyze the findings and recommendations from PricewaterhouseCoopers' (PwC) report concerning the composition of the Earnings Suspense File (ESF).

## Background

SSA has contracted with PwC to review the ESF. The objective of the review is to determine the appropriate management and presentation of the ESF in SSA's records and accounting systems, improve the integrity of the data included in the ESF, and identify an approach to more cost-effectively administer the ESF. SSA requested that PwC propose criteria, if appropriate, to remove those items that are determined inappropriate or no longer useful consistent with generally accepted accounting principles and sound business practices. SSA may use PwC's recommendations to develop and implement an automated annual review process that will purge or archive items from the ESF or to support a decision not to purge or archive items.

PwC using a sample, will also determine the ESF's make-up (provide a general characterization by type and dollar amount) and, applying the criteria developed for purging or archiving, show the impact of the use of such criteria on the ESF's size. The contractor will include an evaluation of how the Agency applies criteria to move items out of the ESF and recommendations on how the Agency should treat ESF items in reports to the public, such as the Agency's Accountability Report.

# EFFECTIVENESS OF THE EARNINGS AFTER DEATH PROCESS IN VERIFYING THE LEGITIMACY OF REPORTED WAGES

#### **Planned Start**

Carry Over

# Objective

To evaluate the effectiveness of the Earnings after Death Process in verifying the legitimacy of reported wages.

# Background

During annual wage reporting validation, earnings reports are verified to the Numident file and checked for death data. Starting in Tax Year 1991, when a date of death is present and the year of death is before the year of reported wages, both wages and self-employment earnings are placed in the suspense file with a code "EADR" (Earnings After Death Record). The earnings are then output to an Earnings after Death Investigate File, which is transmitted to the Wilkes-Barre Data Operations Center.

The Earnings after Death process identifies wage earners whose accounts will be credited with earnings after their deaths. SSA processes and sends out approximately 60,000 Earnings after Death notices each year to employers, employees, and self-employed individuals. These notices are sent out to determine whether the number holder is deceased. Replies that indicate the wage earner is deceased are processed with no further action. Cases where there is corrected information supplied are verified and processed to reinstate wages to the proper wage earner's account.

# EVALUATE THE SOCIAL SECURITY ADMINISTRATION'S DECENTRALIZED CORRESPONDENCE PROCESS

#### **Planned Start**

Carry Over

### Objective

To evaluate the effectiveness of SSA's Decentralized Correspondence (DECOR) process in reinstating suspended wages.

# Background

The annual wage reporting (AWR) process tries to match wage items with SSA's name/SSN record. SSA posts wage items that match its records to the Master Earnings File (MEF) and wage items that do not match its records to the Earnings Suspense File (ESF). SSA prepares the DECOR data base and marks for correspondence all items posted to suspense for the tax year. While SSA sends most of the DECOR notices to the employee, SSA sends a notice to the employer when an employee's address is unavailable.

The DECOR process is used to contact individuals to resolve SSN and/or name discrepancies on reported earnings. The correspondence provides the wage earner information about the reported name/SSN and wage amount and requests the reported information be reviewed, corrected where possible, and returned. SSA reviews the responses to remove items from the ESF and reinstate the items to the appropriate MEF. Each year, SSA mails about 6 million DECOR notices.

Of the 6 million items posted to the ESF, about 500,000 can be posted to the MEF. The Wilkes-Barre Data Operations Center staff indicated the response rate for DECOR is as follows: 20 percent is returned with a response, 20 percent is returned as "undeliverable," and 60 percent represent DECOR non-responders.

# EVALUATION OF THE SOCIAL SECURITY ADMINISTRATION'S EMPLOYEE VERIFICATION PROGRAM

#### **Planned Start**

Carry Over

# Objective

Evaluate the effectiveness and reliability of SSA's Employee Verification Service (EVS).

# Background

The purpose of EVS is to ensure that employees' names and SSNs as recorded on employers' wage records are valid before the Form W-2, *Wage and Tax Statement*, is submitted to SSA. EVS can help eliminate common name/SSN reporting errors.

Wages of employees whose names and SSNs do not match SSA's records cannot be credited to the proper earnings records and are placed in the Earnings Suspense File. Uncredited earnings can affect an individual's eligibility for, and amount of, benefits paid under SSA's retirement, disability, and survivors programs. Unmatched wage reports can also increase an employer's processing costs.

Employer use of the EVS program is voluntary. Depending on the number of names/SSNs to be verified, employers can access EVS three ways.

- 1. *Up to five employees*: employers can verify directly over the telephone using a toll-free line.
- 2. *Up to 50 employees*: employers can submit a list of names/SSNs to be verified on paper, tape, diskette, or cartridge to the local Social Security field office. The response time will vary based on the month of the request. From January through August, the response time may be up to 60 days; from September to December, the response time may be within 30 days.
- 3. *51 or more employees*: employers must formally register with SSA and receive an identification code that must be included on any submissions to SSA, paper, tape, cartridge, diskette, or any other correspondence. Requests generally take about 30 days to process.

# Social Security Number Misuse and Privacy Concerns (Identity Theft)

The magnitude of SSA's enumeration area and the importance placed on SSNs provides a tempting motive for unscrupulous individuals to fraudulently acquire an SSN and use it for illegal purposes.

In FY 2000, SSA issued over 17 million original and replacement SSN cards. The magnitude of SSA's enumeration area and the importance placed on SSNs provides a tempting motive for unscrupulous individuals to fraudulently acquire an SSN and use it for illegal purposes. Recently, we witnessed how the SSN facilitated the terrorists' ability to integrate into our society with relative anonymity. The ramifications of this type of activity can be severe and farreaching. Consequently, curbing SSN misuse remains a top OIG priority.

Originally, the SSN's sole purpose was to provide a method for SSA to accurately record each U.S. worker's earnings. Despite this narrowly drawn purpose, use of the SSN as a general identifier in record systems eventually grew. The SSN has been adopted for numerous other purposes so that, today, it is the single most widely used identifier for Federal and State Governments as well as the private sector.

The public's growing concern with SSN misuse and identity theft is reflected in the large number of allegations our Fraud Hotline receives annually. In FY 2001, we processed over 115,103 allegations, almost 57 percent of which involved the misuse of an SSN. The growth of these numbers is only limited by our capacity to answer the calls. We believe identity theft is a significant problem, and it is growing. We anticipate the complaints will increase unless SSA and Congress take firm actions to regulate the uses of SSNs.

The most common types of identity theft crimes reported are credit card fraud; unauthorized attainment of utility services; bank account and loan fraud; use of counterfeit Government documents; and fraudulent attainment of Government benefits, such as Social Security and Supplemental Security Income. Identity theft crimes affect individuals, Government agencies, and private companies, often causing tremendous losses. For example, the General Accounting Office reported that banks lose millions each year as a result of credit card fraud in which individuals misuse SSNs to activate stolen credit cards.

We understand the Agency has a difficult task in balancing service and security. However, we believe the Agency has a duty to the American public to safeguard the integrity of SSNs. To adequately combat SSN misuse, SSA must employ effective front-end controls in its enumeration process. Likewise, additional techniques, such as data mining, Biometrics, and enhanced systems controls are critical in the fight against SSN misuse.



Based on our work in this area, we made the following proposals to address a variety of issues:

- > Individuals should provide appropriate identification when doing business with SSA;
- > SSA should obtain independent verification from the Immigration and Naturalization Service for non-citizen evidentiary documents;
- > Develop system applications to interrupt enumeration process if fraud is detected;
- > Educate SSA staff about counterfeit documents;
- Continue public policy discussions through interaction with the Departments of Justice and Treasury as well as the Federal Trade Commission; and
- > SSA should consider including SSN misuse as a Key Initiative in its Strategic Plan.

In FY 2002, we plan to complete five reviews in this issue area.

# We plan to complete the following reviews in FY 2002

Disclosure of Personal Beneficiary Information to the Public (Confidential Report)	9-1
Social Security Number Misuse: A Challenge for the Social Security Administration	9-2
Follow-up Audit of Social Security Administration Procedures for Verifying Evidentiary Documents Presented with Original Social Security Number Applications	9-3
Terrorist Misuse of Social Security Numbers (Confidential Report)	9-4
Work Activity for Non-work Social Security Numbers Issued in the State of Utah	9-5

# DISCLOSURE OF PERSONAL BENEFICIARY INFORMATION TO THE PUBLIC (CONFIDENTIAL REPORT)

#### Planned Start

Carry Over

# Objective

To assess the impact of SSA's release of erroneous death information and develop suggestions for improving the accuracy of SSA's Death Master File.

## Background

As a result of a 1978 settlement agreement, SSA produces and maintains the Death Master File, which is available to the public under the Freedom of Information Act (5 USC 552). The Death Master File is a national file of SSN holders whose deaths were reported to SSA. This File contains sensitive personal information such as names, dates of birth and death, and SSNs. In contrast to the availability of personal information for deceased individuals under the Freedom of Information Act, the Privacy Act limits the disclosure of this information for living individuals. Specifically, the Privacy Act states that "No agency shall disclose any record which is contained in a system of records by any means...except...with the prior written consent of, the individual to whom the record pertains..."

# SOCIAL SECURITY NUMBER MISUSE: A CHALLENGE FOR THE SOCIAL SECURITY ADMINISTRATION

#### Planned Start

1<sup>st</sup> Quarter FY 2002

# Objective

To provide a written response to the August 6, 2001 request from Senator Grassley.

# Background

On August 6, 2001, we received a letter from Senator Grassley requesting information SSN misuse. The letter requested that the response include the following:

- ➤ an evaluation of the enumeration business process, the number of SSNs unaccounted for in the past 5 years,
- > an evaluation of the maintenance of earnings records,
- ➤ a determination of which programs/operations have the most incidences of SSN misuse,
- > statistics on SSA employee cases for the past 5 years,
- > suggestions on public education of the proper use of the SSN,
- an evaluation of efforts to work with other Federal agencies in identifying and preventing SSN misuse,
- recommendations on methods to improve SSA's processes, and
- ➤ procedures to prevent future SSN misuse and provide information and comments on current data matching initiatives SSA has underway to detect and/or prevent SSA overpayments to individuals in nursing homes and prisons.

# FOLLOW-UP AUDIT OF SOCIAL SECURITY ADMINISTRATION PROCEDURES FOR VERIFYING EVIDENTIARY DOCUMENTS PRESENTED WITH ORIGINAL SOCIAL SECURITY NUMBER APPLICATIONS

#### Planned Start

Carry Over

# Objective

To determine, for individuals born outside the United States, whether (1) SSA procedures for examining evidentiary documents are sufficient to ensure proper issuance of original SSNs and (2) SSA personnel are complying with existing procedures.

# Background

Our September 2000 report, *Procedures for Verifying Evidentiary Documents Submitted with Original Social Security Number Applications* (A-08-98-41009), found that SSA needed to improve its procedures for detecting false documents presented with SSN applications. One of our recommendations was that SSA immediately begin obtaining independent verification from the issuing agency for all alien evidentiary documents before approving the respective SSN applications. This review was sufficient to highlight significant vulnerabilities within SSA's enumeration system. As we stated in the report, our results were not based on a statistical sample of the universe of 2.66 million original SSNs assigned during the audit period. This follow-up audit will quantify the problem of false documents in the enumeration process in relation to the universe of original SSNs.

# TERRORIST MISUSE OF SOCIAL SECURITY NUMBERS (CONFIDENTIAL REPORT)

#### Planned Start

1<sup>st</sup> Quarter FY 2002

# Objective

To provide a response to Senator Grassley concerning the following questions.

- 1. Describe SSA programs and operations to identify fake Social Security cards or Social Security numbers (SSN).
  - A. State whether these programs and operations are sufficient to achieve this goal.
  - B. State how many fake SSN cards and SSNs SSA has identified in the last 5 years.
  - C. State how many fake Social Security cards and foreign nationals used SSNs.
  - D. Describe how SSA can improve its identification fake SSNs in the future.
- 2. Describe SSA programs and operations to identify stolen SSN cards or SSNs.
  - A. State whether these programs and operations are sufficient to achieve this goal.
  - B. State how many stolen SSN cards and SSNs SSA has identified in the last 5 years.
  - C. State how many stolen SSN cards and foreign nationals used SSNs.
  - D. Describe how SSA can improve its identification of stolen SSNs in the future.
- 3. Describe SSA efforts to coordinate with other Federal agencies to identify suspected terrorists. Also, describe how SSA can improve its coordinated efforts in this regard.

# Background

Information about the hijackers involved in the attack on the World Trade Center indicates they may have had stolen identities and/or SSN cards obtained with counterfeit documentation. Senator Grassley broadened his request for information regarding SSN misuse to include specific questions regarding counterfeit cards, stolen cards, and our cooperation with other agencies regarding identification of the hijackers.

# WORK ACTIVITY FOR NON-WORK SOCIAL SECURITY NUMBERS ISSUED IN THE STATE OF UTAH

#### Planned Start

Carry Over

# Objective

To review the use of SSN's issued for non-work purposes by SSA field offices in the State of Utah.

### Background

A non-work SSN is issued to an individual who is not a U.S. citizen and has not been authorized to work by the Immigration and Naturalization Service (INS). Since October 1998, SSA has issued a non-work SSN to individuals who need an SSN to obtain a State driver's license or receive Government benefits. Before 1998, SSA issued non-work SSNs for other reasons including tax, banking, school, and insurance purposes.

As of August 1997, SSA had issued approximately 7 million non-work SSNs. Applicants must provide SSA valid INS documentation that they are lawfully present in the United States. They must also provide documentation to support their need for a non-work SSN. Examples include a letter from a State Motor Vehicle Administration citing the need for an SSN to obtain a driver's license or a letter from a Government agency requiring an SSN to receive benefits or services.

Immigrants who are not authorized to work often travel to States like Utah that require an SSN to obtain a driver's license. The immigrants acquire a letter from the State Motor Vehicle Administration documenting their need for an SSN and take it, along with their INS documentation, to an SSA field office to apply for a non-work SSN. Once they obtain the SSN, some immigrants return to their own State and use it for unauthorized work or for other illegal activities. Unauthorized earnings associated with the non-work SSN will ultimately result in benefits being paid from the SSA trust fund. We hope to document the extent of this activity in Utah and, by doing so, persuade SSA to rescind regulations that allow employees to issue non-work SSNs for driver license purposes.

# Integrity of the Representative Payee Process

Given the risk of representative payee misuse and the vulnerability of the beneficiaries, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities to use the funds for the beneficiaries' benefit.

When SSA determines a beneficiary cannot manage his/her benefits, SSA selects a representative payee (Rep Payee). The Rep Payee must use the payments for the beneficiary's benefit. There are about 4.2 million Rep Payees who manage approximately \$45 billion in annual benefit payments for 6.5 million beneficiaries. While Rep Payees provide a valuable service for beneficiaries, SSA must provide appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve.

Since 1996, we have made several recommendations to improve SSA's Rep Payee program. These recommendations addressed many of the areas SSA is now working to correct. For example, we recommended that SSA more thoroughly screen potential Rep Payees, change the focus of its Rep Payee program to increase the monitoring of Rep Payees, and determine why Rep Payees do not complete and return Rep Payee Reports.

In FY 2001, we performed six financial-related audits of Rep Payees. Our audit results showed that Rep Payees did not always meet their responsibilities to the beneficiaries they served. We identified deficiencies with the financial management of, and accounting for, benefit receipts and disbursements; vulnerabilities in the safeguarding of beneficiary payments; poor monitoring and reporting to SSA of changes in beneficiary circumstances; and inappropriate handling of beneficiary-conserved funds.

In FY 2001, SSA established a Rep Payee Task Force to perform a comprehensive review of the features and vulnerabilities of the current program. The Task Force is comprised of three subgroups concentrating on:

- 1. monitoring Rep Payees;
- 2. systems support for the Rep Payee program; and
- 3. bonding and licensing of Rep Payees.

Of the approximately 1,700 Rep Payees that are covered by the Agency's triennial on-site reviews, SSA has performed 540 of these reviews over the past year. As of August 2001, SSA had verified that 693 of its non-Governmental fee-for-service Rep Payees continue to have the required bond or license. A total of 26 reviews were completed (over the last year) based on certain "trigger" events. In addition, SSA has contracted with an accounting firm to conduct financial reviews of 60 Rep Payees.

However, much is left for SSA to do to address the vulnerabilities and weaknesses in the Rep Payee program. This work includes the following.



<u>Selection of Rep Payees</u>—SSA has yet to determine how it will stop the selection of those Rep Payees who are most likely to misuse beneficiaries' benefits. However, SSA has issued a contract to research options for criminal and financial background checks.

<u>Bonding and Licensing of Rep Payees</u>—SSA's policy specifies neither the amount of bond necessary to adequately protect beneficiaries nor the type or nature of licenses that are required. To date, SSA has not made any revisions to its policy to address these vulnerabilities.

<u>Rep Payee System</u>—SSA is working to correct a number of system weaknesses we previously identified. Our findings in this area are as follows.

- SSA's systems do not effectively track Rep Payees who do not respond to, and complete, the Rep Payee Reports.
- SSA cannot always locate and retrieve completed Rep Payee Reports when needed.
- SSA systems do not include information on all Rep Payees and beneficiaries that have Rep Payees, as required by law.
- SSA needs to develop a system to control and monitor the processing of alerts that have identified Rep Payees who have been incarcerated.

In FY 2002, we plan to complete 13 reviews and begin 8 reviews in this issue area.

# We plan to complete the following reviews in FY 2002

Analysis of Information Concerning Representative Payee Misuse of Beneficiaries' Payments	10-1
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We plan to begin the following reviews in FY 2002	
Financial-Related Audit of a Representative Payee—We plan to begin six reviews in this area	
Screening of Representative Payees for Fugitive Warrants	
Summary Report of Financial-Related Audits of Representative Pavees	

# ANALYSIS OF INFORMATION CONCERNING REPRESENTATIVE PAYEE MISUSE OF BENEFICIARIES' PAYMENTS

#### Planned Start

Carry Over

# Objective

To analyze information concerning representative payee misuse of beneficiary and recipient payments. Specifically, to determine whether common characteristics exist for SSA representative payees who have misused beneficiary/recipient payments.

# Background

Representative payees are required to use the benefits only for the beneficiary's benefit. Benefit payment misuse occurs when representative payees do not use benefit payments for the current and foreseeable needs of the beneficiary/recipient or conserve unused benefits for the beneficiary/recipient. When an allegation of misuse is made, SSA is responsible for investigating, determining the facts, and protecting the best interest of the beneficiary and/or recipient.

# FINANCIAL-RELATED AUDIT OF A REPRESENTATIVE PAYEE FOR THE SOCIAL SECURITY ADMINISTRATION IN REGION II

#### Planned Start

Carry Over

# Objective

To determine whether representative payees have effective safeguards over the receipt and disbursement of Social Security benefits and Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

# Background

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits. Representative payees (institutions, organizations or individuals) receive and manage payments on behalf of the beneficiaries. Given the risk of representative payees' misuse and the vulnerability of the beneficiaries, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities. Since 1996, our audits have identified numerous weaknesses in the monitoring and accountability of representative payees, and our investigative work provides examples of representative payees who have taken advantage of vulnerable beneficiaries

## FINANCIAL-RELATED AUDIT OF AN ORGANIZATIONAL REPRESENTATIVE PAYEE IN REGION III

#### **Planned Start**

Carry Over

### Objective

To determine whether representative payees have effective safeguards over the receipt and disbursement of Social Security benefits and Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

### Background

## FINANCIAL-RELATED AUDIT OF A REPRESENTATIVE PAYEE FOR THE SOCIAL SECURITY ADMINISTRATION IN REGION IV

#### Planned Start

Carry Over

### Objective

To determine whether representative payees have effective safeguards over the receipt and disbursement of Social Security benefits and Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

## Background

## FINANCIAL-RELATED AUDIT OF A REPRESENTATIVE PAYEE FOR THE SOCIAL SECURITY ADMINISTRATION IN REGION VI

#### **Planned Start**

Carry Over

### Objective

To determine whether representative payees have effective safeguards over the receipt and disbursement of Social Security benefits and Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

## Background

## FINANCIAL-RELATED AUDIT OF A REPRESENTATIVE PAYEE FOR THE SOCIAL SECURITY ADMINISTRATION IN REGION VI

#### **Planned Start**

Carry Over

### Objective

To determine whether representative payees have effective safeguards over the receipt and disbursement of Social Security benefits and Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

## Background

## FINANCIAL-RELATED AUDIT OF A REPRESENTATIVE PAYEE FOR THE SOCIAL SECURITY ADMINISTRATION IN REGION VII

#### **Planned Start**

Carry Over

### Objective

To determine whether representative payees have effective safeguards over the receipt and disbursement of Social Security benefits and Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

## Background

## FINANCIAL-RELATED AUDIT OF A REPRESENTATIVE PAYEE FOR THE SOCIAL SECURITY ADMINISTRATION IN REGION VIII

#### **Planned Start**

Carry Over

### Objective

To determine whether representative payees have effective safeguards over the receipt and disbursement of Social Security benefits and Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

## Background

## FINANCIAL-RELATED AUDIT OF A REPRESENTATIVE PAYEE FOR THE SOCIAL SECURITY ADMINISTRATION IN REGION X

#### Planned Start

Carry Over

### Objective

To determine whether representative payees have effective safeguards over the receipt and disbursement of Social Security benefits and Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

## Background

## OFFICE OF INVESTIGATIONS ASSISTANCE — REVIEW OF A REPRESENTATIVE PAYEE'S OPERATIONS

#### **Planned Start**

Carry Over

## Objective

To determine the amount of beneficiary funds misused by a fee-for-service representative payee.

## Background

Based on a referral from one of SSA's regional offices, our Office of Investigations began an investigation into the operations of a fee-for-service representative payee. The representative payee had been in operation since 1995 and had represented approximately 1,200 SSA beneficiaries and recipients. The allegation is that the representative payee used beneficiaries' funds above the small fee it was allowed to help pay for its operational costs. The director of the representative payee admitted to spending \$100,000 in beneficiary funds to help fund the organization, but stated he planned to pay it back. The representative payee was allowed a small fee for each beneficiary it managed, but should have only spent the non-fee funds on the beneficiaries' care and well-being. The Office of Investigations has asked our New York field office to determine how much the representative payee misused. The Office of Investigations is working on this case with the U.S. Attorney's office.

## OFFICE OF INVESTIGATIONS ASSISTANCE — REVIEW OF A REPRESENTATIVE PAYEE'S OPERATIONS

#### Planned Start

Carry Over

## Objective

To determine the amount of beneficiary funds misused by a fee-for-service representative payee.

## Background

The representative payee houses mentally ill residents who are not mandated to an institution and serves as a representative payee for many of the residents of the home. While most of the SSA funds collected by the residents of the home are used to offset the expenses for their care, there have been allegations the representative payee does not provide the beneficiaries with personal needs and allowances from their SSA funds.

## SUMMARY REPORT OF FINANCIAL-RELATED AUDITS OF REPRESENTATIVE PAYEES

#### **Planned Start**

Carry Over

### Objective

To identify and summarize common findings and recommendations from our financial-related audits of representative payees.

## Background

Some individuals cannot manage or direct the management of their finances because of their age or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees (Rep Payee) to receive and manage these beneficiaries' benefits and recipients' payments. A Rep Payee may be an individual or an organization. SSA selects Rep Payees for Old-Age, Survivors and Disability Insurance beneficiaries or Supplemental Security Income recipients when representative payments would serve the individual's interests. Rep Payees are responsible for using benefits in the beneficiary or recipient's best interests. Their duties include the following:

- using benefits to meet the beneficiary's current and foreseeable needs,
- conserving and investing benefits not needed to meet the beneficiary's current needs,
- > maintaining accounting records of how the benefits are received and used,
- reporting events to SSA that may affect the individual's entitlement or benefit payment amount.
- reporting any changes in circumstances that would affect their performance as a Rep Payee, and
- providing SSA an annual Representative Payee Report accounting for how benefits were spent and invested.

## THE SOCIAL SECURITY ADMINISTRATION'S ON-SITE REVIEWS OF REPRESENTATIVE PAYEES

#### Planned Start

Carry Over

### Objective

To assess the on-site review methodology, evaluate the sufficiency and reliability of the documentation that supports the conclusions and recommendations made during the on-site reviews, test for compliance with SSA on-site review requirements, and determine whether SSA takes appropriate follow-up action to ensure identified deficiencies are corrected.

### Background

Beginning in FY 2000, SSA initiated triennial on-site reviews of all fee-for-service payees, organizational payees serving more than 100 beneficiaries, and individual representative payees serving more than 20 beneficiaries. The on-site reviews are supposed to ensure payee compliance through a face-to-face meeting and examination of a sample of beneficiary records; expenses may be corroborated with providers of the services they provide to the beneficiary. The review will include an assessment of the payee's recordkeeping and may include beneficiary interviews. SSA anticipated that an added benefit of this initiative would be that lines of communication between SSA and the representative payee would be improved. Approximately 300 of these reviews have already been conducted as part of a pilot process, and a regular ongoing schedule was planned to begin in the summer of 2000.

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